



# Luxembourg investment vehicles for Brazilian investors

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# Why Luxembourg?



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Over the last decade, Latin America has positioned itself as a prominent player in the global economy, showing itself to be a dynamic region with high potential for inbound and outbound investment. Selecting a suitable European jurisdiction to serve as a platform is a key decision that Latin American multinationals and executives need to make when targeting investment or private placement in Europe.

At the heart of Europe, Luxembourg is a leading financial center for investment fund management and private banking and an attractive hub for corporations looking to expand their business in Europe. Luxembourg offers a diverse range of investment vehicles and solutions for asset managers, high net wealth individuals, and family offices.

In recent years, cooperation between Latin America and Luxembourg has been growing, and Luxembourg has become one of the first choices among Latin American investors to set up business in Europe. Recognising this uptrend, KPMG Luxembourg founded the Latin American Desk ("LATAM Desk") which provides insight and tailor-made services to assist our clients in entering the European market and enhancing their business.

Our team consists of more than 40 specialists who are fluent in Portuguese and Spanish and who can assist you by providing valuable insight, support, and experience. Our extensive knowledge of this market covers a wide range of business sectors, from financial investments to operational activities. Whether you are contemplating private placement, market entry, mergers and acquisitions, or the optimisation of existing operations, our LATAM Desk delivers tailor-made solutions taking into account our clients' needs and expectations.

Our aim is to provide our clients with answers and opportunities, and we are here to assist you every step of the way.

“Luxembourg has become one of the first choices among Latin American investors to set up business in Europe”



# Executive summary

KPMG is pleased to provide you with this informational brochure on Luxembourg investment vehicles for Brazilian investors. Our aim is to provide an overview of those Luxembourg investment vehicles particularly well-suited to Brazilian investors' needs.

Luxembourg has a large choice of investment vehicles. Depending on criteria such as the nature of the underlying investment, the amount being invested, or the purpose of the investment, one may opt for very flexible and non-regulated vehicles, or for ones that are highly regulated and offer high levels of protection. With Brazilian investors specifically in mind, we have selected the following investment vehicles:

- II SPF governed by the Law of 11 May 2007 as amended
- II SOPARFI governed by general income tax law and law of 10 August 1915 as amended
- II SIF governed by the Law of 13 February 2007 as amended
- II RAIF draft Bill n°6929
- II SICAR governed by the Law of 15 June 2004 as amended

The overview covers the following aspects:

- II Key features
- II Governance and supervision aspects
- II Tax aspects



São Paulo  
Brazil

# Key features

| Features                | SPF  | SOPARFI  |
|-------------------------|--|--|
| Use                     | <p>Limited to acquisition, detention, management, and realisation of financial assets.</p> <p>Particularly interesting for participations which do not qualify for the participation exemption regime such as securities in listed companies.</p> <p>Not allowed to carry out commercial activities nor to hold real estate directly (except for its own use or through its participations).</p> <p>Succession planning and flexibility.</p> | <p>Holding participations and financing.</p> <p>Possibility for any kind of asset to be integrated and for any kind of investment strategy to be pursued.</p> <p>Particularly interesting for participations qualifying for the participation exemption regime as well as for loans and real estate in treaty jurisdictions.</p> <p>Also appropriate for commercial activities (but subject to CIT and MBT).</p> |
| Eligible investors      | <p>Restricted to:</p> <ul style="list-style-type: none"> <li>II natural persons acting in the context of the management of their personal wealth;</li> <li>II management entities acting solely in the interest of their private wealth (e.g. trusts, private foundations); and</li> <li>II intermediaries acting on behalf of the above-mentioned eligible investors (e.g. a bank acting under a fiduciary agreement).</li> </ul>           | <p>Unrestricted.</p>   |
| Legal form              | <ul style="list-style-type: none"> <li>II SA</li> <li>II S.à r.l.</li> <li>II SCA</li> <li>II S.CoSA</li> </ul>  | <p>In practice, a SOPARFI is only set under one of the following legal forms:</p> <ul style="list-style-type: none"> <li>II SA</li> <li>II S.à r.l.</li> <li>II SCA</li> </ul>   |
| Segregated compartments | No.  | No.  |
| Capital requirements    | <p>Depends of the form:</p> <ul style="list-style-type: none"> <li>II SA / SCA: €31,000</li> <li>II S.à r.l.: €12,500</li> <li>II S.CoSA: no minimum capital</li> </ul>  | <p>Depends of the form:</p> <ul style="list-style-type: none"> <li>II SA / SCA: €31,000</li> <li>II S.à r.l.: €12,500</li> </ul>   |

## SIF

Possibility for any kind of asset to be integrated and for any kind of investment strategy to be pursued, (e.g. securities or real estate).

Operationally flexible.

Succession planning.

## RAIF

Possibility for any kind of asset to be integrated and for any kind of investment strategy to be pursued.

Operationally flexible.

Succession planning.

## SICAR

Limited to direct and/or indirect investment in securities that represent risk capital.

Risk capital consists mainly of high risk investments made in view of their launch, development, or listing on a stock.

Possibility to marginally enter into financial derivative instruments on an exceptional basis.

Possibility to temporarily invest in other assets pending investment in risk capital.

Not designed for the general public, but rather for well-informed investors.

A well-informed investor is an institutional investor, a professional investor, or any other investor who has stated in writing that he or she adheres to the status of well-informed investors, and:

- II invests a minimum of €125,000; or
- II has been subject to an assessment made by a credit institution, an investment firm, or a management company, certifying his or her expertise and knowledge to adequately appraise an investment.

II FCP  
II SICAV  
(SA, S.à r.l., SCA, S.CoSA, SCS, SCSp)  
II SICAF  
(SA, S.à r.l., SCA, S.CoSA, SCS, SCSp)

The entities may be open-ended or closed-ended.

II FCP  
II SICAV  
(SA, S.à r.l., SCA, S.CoSA, SCS, SCSp)  
II SICAF  
(SA, S.à r.l., SCA, S.CoSA, SCS, SCSp)

Corporate entity with fixed or variable share capital:  
II SA II S.CoSA  
II SCA II SCS/SCSp  
II S.à r.l.

Yes.

Yes.

Yes.

€1,250,000 to be reached within 12 months of its approval by the Luxembourg regulator.

€1,250,000 to be reached within 12 months.

€1,000,000 to be reached within 12 months of its approval by the Luxembourg regulator.

# Governance and supervision aspects

| Features                                  | SPF   | SOPARFI  |
|---|---|--|
| Risk diversification requirements         | No.   | No.  |
| NAV calculation and redemption frequency  | Not required.                                   | Not required.  |
| Authorisation and supervision by the CSSF | No.   | No.  |
| Requires Luxembourg service providers     | No.   | Independent auditors (depending on the form of the company). |
| Listing                                   | No.   | Possible.  |
| Valuation principles                      | Depends on the type of assets and GAAP adopted. | Depends on the type of assets and GAAP adopted.              |
| Financial statements                      | II LuxGAAP<br>II IFRS                           | II LuxGAAP<br>II IFRS  |
| Authorised AIFM                           | Not required.                                   | Not required.  |

## SIF

Yes, a SIF is not allowed to invest more than 30% of its net assets in securities of the same kind issued by the same issuer.

At least once a year for reporting purposes.

Lightly regulated.

- II Management Company in case of an FCP
- II Depositary institution
- II Administrative agent
- II Registrar and transfer agent
- II Independent auditor
- II Legal advisor

Possible.

Assets are to be valued at fair value, in compliance with the rules detailed in the Articles or Management Regulations.

- II LuxGAAP (some treatment will differ under SIF Law)
- II IFRS

Only required if it qualifies as an AIF.

## RAIF

In principle, subject to the same risk diversification requirements as SIF.

No risk diversification if, in the constitutive documents, the RAIF invests solely in risk capital.

At least once a year for reporting purposes.

No.

- II Management Company in case of an FCP
- II Depositary institution
- II Administrative agent
- II Registrar and transfer agent
- II Independent auditor
- II Legal advisor

Possible.

Assets are to be valued at fair value, in compliance with the rules detailed in the Articles or Management Regulations, and in the applicable provisions of the AIFM.

- II LuxGAAP
- II IFRS

Required.

## SICAR

No.

Not required.

Lightly regulated.

- II Depositary Institution
- II Administrative agent
- II Registrar and transfer agent
- II Independent auditor

Possible.

Assets are to be valued at fair value, in compliance with the rules detailed in the Articles.

- II LuxGAAP (some treatment will differ under SICAR law)
- II IFRS (this will require the production of consolidation accounts)

Only required if it qualifies as an AIF.

# Tax aspects

| Features   | SPF   | SOPARFI  |
|--|---|--|
| Income tax   | No.   | Yes, 29.22%. There is a participation exemption on dividends, capital gains, and liquidation proceeds.<br>In 2017: 27.08%<br>From 2018 onwards: 26.01% |
| Net wealth tax   | No.   | Yes, 0.5% on the unitary value (e.g. net equity). Participation exemption available.   |
| Withholding tax  | No.   | Yes, 15% but reduced to 0% under certain circumstances.  |
| Subscription tax   | Yes, 0.25% on the amount of paid up capital and issue premium (if any). | No.  |
| Access to the Luxembourg DTT network and European Directives | No.   | Yes.   |



## SIF

No.

## RAIF

No, except if it only invests in risk capital (in which case the same tax regime that applies to a SICAR applies).

## SICAR

II SCS, SCSp: No.  
II SA, S.à r.l. and SCA: Yes, but several exemptions are available.

No.

No, except if it only invests in risk capital (in which case the same tax regime that applies to a SICAR applies).

No, except from the minimum NWT as from 2016.

No.

No.

No.

Yes, 0.01 % of the NAV but it is exempt under certain circumstances.

Yes, 0.01 % of the NAV but it is exempt under certain circumstances.

No.

SIFs constituted in the form of an investment company may benefit from European Directives as well as from some DTT.

RAIF constituted in the form of an investment company may benefit from European Directives as well as from some DTT.

II SCS, SCSp: No.  
II SA, S.à r.l. and SCA: Yes, to be confirmed on a case-by-case basis.

# Glossary

|                |   |                 |  |
|----------------|---|-----------------|--|
| <b>AIF</b>     | Alternative Investment Fund   | <b>SA</b>       | Société Anonyme<br>(Public limited company)  |
| <b>AIFM</b>    | Alternative Investment Fund Manager   | <b>S.à r.l.</b> | Société à responsabilité limitée<br>(Private limited company)  |
| <b>CIT</b>     | Corporate Income Tax<br>(Impôt sur le revenu des collectivités)                                     | <b>SCA</b>      | Société en Commandite par Actions<br>(Partnership limited by shares)   |
| <b>CSSF</b>    | Commission de Surveillance du Secteur Financier<br>(The Luxembourg financial supervisory authority) | <b>S.CoSA</b>   | Société Coopérative organisée comme une Société Anonyme<br>(Cooperative company organised as a public limited company) |
| <b>DTT</b>     | Double Tax Treaty   | <b>SCS</b>      | Société en Commandite Simple<br>(Limited partnership)  |
| <b>FCP</b>     | Fonds Commun de Placement<br>(Common fund)  | <b>SCSp</b>     | Société en Commandite Spéciale<br>(Limited partnership without legal personality)                                      |
| <b>IFRS</b>    | International Financial Reporting Standards   | <b>SICAF</b>    | Société d'Investissement à Capital Fixe<br>(Investment company with fixed capital)                                     |
| <b>LuxGAAP</b> | Luxembourg Generally Accepted Accounting Principles   | <b>SICAR</b>    | Société d'Investissement en Capital à Risque<br>(Investment company in risk capital)                                   |
| <b>MBT</b>     | Municipal Business Tax<br>(Impôt commercial)  | <b>SICAV</b>    | Société d'Investissement à Capital Variable<br>(Investment company with variable capital)                              |
| <b>NAV</b>     | Net Asset Value   | <b>SIF</b>      | Specialised Investment Fund<br>(Fonds d'investissement spécialisé)   |
| <b>NWT</b>     | Net Wealth Tax<br>(Impôt sur la Fortune)  | <b>SOPARFI</b>  | Société de Participation Financière<br>(Holding company)   |
| <b>RAIF</b>    | Reserved Alternative Investment Fund<br>(Fonds d'investissement alternatif réservé)                 | <b>SPF</b>      | Société de Gestion de Patrimoine Familial<br>(Family wealth management company)  |

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