

**SPF (Private Wealth Management Companies/ *Société de gestion de Patrimoine Familial*)
conditions regime improved**

The law of the 18th of February 2012 (the “Law”) modifying the regime applicable to SPFs, as defined by the law of 11th of May 2007, has been voted.

SPFs are investment vehicles dedicated to private individual investors only who benefit, under certain conditions, from tax exemptions

The Law has removed the 5% dividend limitation that used to apply to dividends deriving from participations into non-resident and non-listed companies not subject to tax. SPFs previously automatically lost their tax status, if more than 5% of the dividends received in a given year come from shareholdings in non-resident non-listed companies not subject to a tax considered to be comparable to Luxembourg Corporate income tax (at least 10.5% in practice).

The EU Commission considered that this provision was not in line with EU law as it provides for different tax treatments to situations which according to the EU Commission, are comparable while an income tax exemption applies to all income from Luxembourg participations (dividends and capital gains), income from foreign shareholdings may cause the SPF to lose its exempt tax status.

The Law is applicable as of January 1n 2012.

SPFs are entities exempt from Luxembourg direct taxes (i.e. Corporate Income Tax, Municipal Business Tax, and Net Worth Tax). They are also exempt from Luxembourg withholding tax on dividends.

SPFs are only subject to a subscription tax of 0.25% applicable on its share capital, including any share premium and to the part of the debt (if any) that exceeds an equity to debt ratio of 1 to 8. The maximum amount of subscription tax is EUR 125.000 a year.

Interest payments made by SPF to individuals may be subject either to the final 10% withholding tax for individuals resident in Luxembourg or subject to withholding tax under the provisions of the so called “Savings Directive” for others EU resident individuals.

Jean-Dominique Morelli