Five reasons to opt for the new Luxembourg Limited Partnership

Why savvy initiators will be making Luxembourg their location of choice for Limited Partnerships

March 2013
The business opportunity

Luxembourg has historically been quick to grasp any opportunity to enhance competitiveness through speedy, smart legislation, being the first to transpose UCITS into National Law 25 years ago and continuing to lead in this field over the decades. Sensing an opportunity with the transposition of the Alternative Investment Fund Manager Directive ("AIFMD") into national law, Luxembourg has once more been quick off the mark to introduce favourable measures for both alternative investment fund managers and fund raising vehicles, with proposals to modernize its limited partnership regime.

The draft law, which is expected to be voted during the first quarter of 2013, allows for greater legal flexibility as well as full tax transparency and tax neutrality. The VAT exemption applicable to investment fund management services will be broadened and a specific tax regime for carried interest will be introduced.

In this publication we provide an overview of the new regulations that are expected to enter into force in 2013 and constitute a substantial improvement in operations for fund managers and alternative funds in Luxembourg. This publication shall focus on the following:

• The legal aspects of the new limited partnership regime;

• The direct tax aspects of the new limited partnership regime and the carried interest regime;

• The new VAT regime applicable to investment funds;

• Accounting aspects of the new limited partnership regime.
Five reasons to opt for the new Luxembourg Limited Partnership

1. **TAX EFFICIENT: FULL TAX TRANSPARENCY AND NEUTRALITY**

2. **HIGH DEGREE OF CONTRACTUAL FLEXIBILITY**

3. **COST EFFICIENT: FUNDRAISING AND INVESTMENT STRUCTURING IN ONE JURISDICTION**
Legal aspects of the new regime

As highlighted in the general introduction of this brochure, the purpose of the draft AIFM bill¹ ("the Bill") is first and foremost to transpose the AIFM directive into Luxembourg law. Yet, true to Luxembourg’s tradition of providing added value when transposing EU directives, the Grand Duchy’s lawmakers have taken the opportunity to enhance the national corporate legal framework by (i) improving the société en commandite simple (common limited partnership or SCS) regime and (ii) introducing a new form of limited partnership into Luxembourg law, the société en commandite spéciale (special limited partnership or SCSp). The main specificity of the SCSp is that, unlike the SCS, it is not vested with legal personality. The new SCS and SCSp can be compared with the Anglo-Saxon Limited Partnership, whose success mainly lies in the corporate flexibility and tax transparency it provides. It is believed, and not without sound reasoning, that SCSs and SCSp will be particularly attractive to investors, in particular in the fields of private equity, hedge funds and the real estate funds industry.
1. General overview

A. The Anglo-Saxon Limited Partnership inspiration

The SCS/SCSp Luxembourg framework currently under consideration is clearly inspired by the Anglo-Saxon Limited Partnership model. Delaware, Jersey or Guernsey Limited Partnership structures are amongst the most widespread and popular vehicles for investment structures. As always, there are several factors which contribute to this popularity. Some are historically rooted: the first private equity funds, which were launched in the U.S. in 1946, used the Limited Partnership structure and this U.S. template was then taken up in Europe\(^2\). There are, however, other more structural reasons for using the Limited Partnership structure. In particular, it offers a highly sophisticated and flexible contractual regime. Combined with the unlimited/limited liability balance between the General Partner (“GP”) and the Limited Partners (“LP”), the Limited Partnership offers an unparalleled investment platform suited to the respective commitments of both promoters and investors: “A limited partnership has proven itself to be a robust, sophisticated and highly flexible investment structure”\(^3\).

Yet, this is not all. The aforementioned favorable features are further enhanced by the possibility of using Limited Partnership vehicles which are not vested with legal personality and therefore fully structured under the form of a contractual limited partnership agreement (“LPA”). This contractual model allows tax neutrality due to the fact that Limited Partnerships are tax transparent.

B. From the Luxembourg current legal framework

Luxembourg company law\(^4\) under the current framework provides for the limited partnership (société en commandite simple, (“SCS”), the salient features of which are as follows:

- It is vested with legal personality under the current Luxembourg legal framework, no Limited Partnership may be set up without legal personality;
- Dual GP/LP structure: at least one unlimited partner (the GP) controls the management of the company and is indefinitely, jointly and severally liable for the partnership obligations and commitments. Conversely, passive investors are protected by the LP structure and their liability is therefore limited to their respective contribution to the partnership.

SCS issues non-transferable partnership interests to its members subject, however, to contrary provisions in the LPA. Thus, the SCS is an intuitu personae partnership suffering from certain drawbacks, such as a lack of confidentiality (the identity of the LPs and their contributed assets are subject to publication) or excess dividend repayment obligations (in cases where dividends were paid out of the effective profit of the company).

Businesswise, the SCS has long been a “sleeping beauty”. In addition to the aforementioned structural drawbacks of the SCS, the legal provisions governing the SCS in company law were too generic to provide satisfactory comfort to investors and fund managers.

SUMMARY

- A new choice between the Luxembourg limited partnership with a legal personality (i.e. SCS, similar to a Scottish Limited Partnership) and a Luxembourg Limited Partnership without legal personality (SCSp, similar to an English Limited Partnership)
- Under the Bill, both Investment Company in Risk Capital (SICAR) and Specialised Investment Funds (SIF) – the traditional forms of regulated alternative funds in Luxembourg - may adopt the form of a SCS/SCSp
- The SCSp will be a brand new type of vehicle in Luxembourg, benefitting from the same flexible company law regime as the SCS
- High degree of contractual flexibility
- Confidentiality.

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1 Draft law 6471 implementing the AIFMD into national Luxembourg law lodged with the Luxembourg Parliament
3 R. Pearce & S. Barnes, op. cit., p. 17.
4 Luxembourg act of 10th August 1915 on commercial companies, further amended
C. To the new Luxembourg Limited Partnership framework approach

The Luxembourg lawmaker has opted for the following road-map: enhancing the existing (SCS) while introducing a new vehicle (SCSp) which mirrors, in so far as possible, the improved SCS model, with a few added, yet significant, features specific to the SCSp.

As a result, the SCS regime will benefit from a full makeover, emerging as the new SCSp.

Upon enactment of the Bill, which will be integrated into company law, the Luxembourg legal framework will therefore offer a full range of modernized and highly attractive partnership structures: SCS and SCSp.

2. The most salient legal features

A. A wide scope: the availability of the regulated or unregulated regime

The SCS/SCSp may be regarded as a “four-wheel-drive” vehicle which can be used in both regulated and unregulated investment structures.

Unregulated SCS/SCSp will mainly be governed by Company Act and, in the case that they fall within the scope of the AIFMD, will additionally be able to comply with it.

Regulated SCS/SCSp will be subject to the specific regulations applicable to the chosen regulated vehicle, such as the SIF law\(^5\) or the SICAR law\(^6\). Most notably, the Bill proposes future amendments, as far as it is necessary, to the existing SIF and SICAR law, so as to allow a SIF or a SICAR to be structured under the form of an SCS or an SCSp. As a result, regulated SCS/SCSp will be subject to the approval and supervision of the Commission de Surveillance du Secteur Financier (CSSF) and will benefit from the attractive features of the SIF/SICAR regime, such as the possibility of having fully segregated portfolios (umbrella structure with compartments).

B. Confidential and rapid set-up

An SCS/SCSp is set up under the form of a LPA between one or more GPs and one or more LPs. As a result, an SCS/SCSp may be set up with only two partners.

Most notably, the LPA may be concluded under the form of a private deed, thus not requiring the intervention of a notary. In line with Luxembourg corporate law principles, the SCS/SCSp is immediately effective as of the date of the LPA, without being delayed in any way by registration or publication requirements. Excerpts of the LPA are subject to publication and the SCS/SCSp must be registered at the Luxembourg trade and companies’ registry.

The Bill fully protects the anonymity of the LPs and their respective contributions which are not subject to publication. Confidentiality is therefore fully guaranteed.

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5 Bill 6318 amending the Luxembourg law of 13 February 2007 relating to specialized investment funds issued on August 12, 2011
6 Luxembourg law of 15 June 2004 relating to the investment company in risk capital
C. Limited Partners still allowed to act

Traditionally, the liability of the LP is strictly limited to their respective contribution to the SCS/SCSp.

Such limited liability implies that an LP may not carry out management acts vis-à-vis third parties, at the risk, in case of violation of this principle, of incurring a joint and several liability vis-à-vis third parties.

However, the aforementioned management commingling prohibition is significantly mitigated as it does not preclude management acts which are internal to the SCS/SCSp. In this respect, the Bill sets forth a non-exhaustive list of LP permitted actions (exercising of the rights attached to the LP capacity, provision of advice to the SCS/SCSp, its affiliated entities or their managers, control of the SCS/SCSp business activity, loans, guarantees or other assistance provided to the SCS/SCSp or their affiliated entities). This list of permitted actions is not exhaustive and the Bill makes clear that, as a general principle, any LP action is permitted provided that it does not mislead third parties as to the very nature of the LP.

A LP may therefore enter into transactions with the SCS/SCSp without losing its privileged or non-privileged rank as creditor of the SCS/SCSp (for example, a loan granted by a LP to the SCS/SCSp).

D. Free organization of Partnership interests and return of capital

Partnership interests may be represented in the form of securities (shares) or not, according to the provisions of the LPA. Such options are welcome, especially for capital accounts (with no issuance of securities) which may be adapted to the specific requirements of the investors, such as setting up fee arrangements or in-out investment mechanisms.

In case of capital account structuring, the capital account balance of each investor varies according to its contribution and withdrawal flow and to the profits or losses of the SCS/SCSp which are allocated to the investor.

Return of capital is crucial to investors. In this respect, the SCS/SCSp regime does not prohibit the return of capital to the LP/investor. Such return, either under the form of dividends or repayment of partnership interests, may not be recalled (subject to contrary provisions in the LPA). This feature differs from the Anglo-Saxon Limited Partnership regime in which LPs are not entitled to have their contribution repaid.

As a result of this flexibility, the SCS/SCSp regime of capital return allows for a wide range of funding, with a tailor-made equity-debt split best suited to the investor’s business plan.

E. The emphasis on contractual freedom

Contractual freedom is the key term of the Bill in respect of the corporate structuring of the SCS/SCSp, the LPA being the receptacle for the expression of such contractual freedom.

Such contractual freedom applies at every level, as set forth in the LPA:

(i) Admission of new partners, as well as issuance of new partnership interests;
(ii) Transfer of partnership interests;

(iii) Repayments of partnership interests (capital return) allowing the possibility to set up a variable capital and/or an open-ended structure;

(iv) Allocation of profit or losses (the traditional civil law prohibition on granting all profits or losses to one or several partners or depriving one or several partners from profits or losses is not applicable);

(v) Forms of contribution (in cash, contribution in kind or in industry (services, know-how));

(vi) Voting rights: the traditional mandatory one share-one vote corporate law principle is set aside;

(vii) Quorum and majority rules in respect of collective decisions;

(viii) Conditions and procedure for dissolution.

F. The specific features of the SCSp

As mentioned, the SCS and the SCSp are twin vehicles and most of their respective legal regime is the same, both based on the above outlined principle of contractual freedom. There is, however, a major difference between the two vehicles: the SCS is vested with legal personality whereas the SCSp is deprived therefrom.

Notwithstanding the above, and somewhat surprisingly at a first glance from a traditional standpoint, the SCSp’s lack of legal personality does not entail the traditional downside effects of such status:

- As a general principle, a corporate vehicle which is deprived of legal personality has no domicile. By way of derogation, the Bill sets forth that the domicile of the SCSp is located at the place of its central administration, which will be deemed to coincide with its Luxembourg registered office. Such derogation from standard principles ensures that the SCSp will be a Luxembourg based entity;

- Registrations relating to assets which are contributed to the SCSp are made in the name of the SCSp and not in the name of the GP or an LP;

- Ring-fencing: the rights on the assets of the SCSp are exclusively reserved to creditors whose claims have arisen in connection with the SCSp lifespan. Conversely, the SCSp’s assets are not available to the personal creditors of the SCSp partners. Those creditors may only have recourse against the personal assets of their debtor, including its partnership interest held in the SCSp.

The above features of the SCSp clearly evidence that the Luxembourg lawmaker’s intention is to make a “best of both worlds” vehicle available to investors, combining both the benefits associated with the absence of legal personality, without triggering the traditional drawbacks which are traditionally associated with such a legal status.
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Direct Tax aspects of the new regime

To date, Luxembourg has already established its reputation as a choice destination for major Private Equity players for the structuring of investments. Nonetheless, Luxembourg was still in need of a more favourable tax vehicle along the lines of other renowned partnerships like the English, Scottish, Delaware, Guernsey or Jersey Limited Partnerships.

In this respect, in order to increase its competitiveness on an international level, Luxembourg also grasped the opportunity to introduce a more favorable tax regime for limited partnerships in the Bill transposing the AIFMD.
**1. Current direct tax regime**

Under the current Luxembourg tax regulations, the SCS is treated as tax transparent with respects to Luxembourg corporate income tax (“CIT”) and net worth tax (“NWT”). Nonetheless, in some circumstances, the SCS and or its non-resident/resident partners may currently be subject to Luxembourg taxation.

**A. Permanent establishment**

In the case where the SCS performs an activity in Luxembourg which is of a commercial nature, such as the trading of securities, this may trigger the recognition of a permanent establishment of the SCS in Luxembourg.

The SCS will then be subject to Municipal Business Tax (“MBT”), and its non-resident/resident partners will be subject to (i) CIT on the SCS’s income and (ii) NWT on the SCS’s worth, in proportion to their interest in the SCS (unless exemptions apply).

**B. Deemed business income theory**

If the GP of the SCS is a Luxembourg company which is considered to be performing an activity of a business nature based on its legal form, the whole activity of the SCS will be deemed to be commercially tainted for Luxembourg direct tax purposes according to the German deemed business income theory.

Consequently, the SCS will be subject to MBT, unless exemptions are available, and the non-resident and resident partners will be subject to CIT and NWT, proportional to their interest in the SCS (unless exemptions apply).

The only exception to the application of the deemed business income theory is the Luxembourg SICAR when set up under the form of an SCS.

**2. New favorable tax regime**

The main advantage of the new regulation is the possibility for full tax transparency and tax neutrality for the SCS and the SCSp.

**Full tax transparency and tax neutrality**

The Bill states that, if the GP(s) taking the form of Luxembourg company(ies) hold(s) less than 5% of interest in the SCS/SCSp, the income of the SCS/SCSp will no longer be deemed to be a business income. Consequently the deemed business income theory will not apply.

Moreover, if the activity of the SCS and SCSp is limited to private wealth management (which generally corresponds to the activity of private equity and real estate funds), the income of the SCS and SCSp should not be classified as business income. Consequently, no permanent establishment should be recognized, especially for MBT purposes.

The new provisions will therefore allow for full tax transparency and tax neutrality for both the SCS and SCSp in Luxembourg.

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7 The annual MBT rate for 2013 is 6.75 % for Luxembourg city
8 The annual CIT rate for 2013 is 22.47 % for Luxembourg city
9 The annual NWT rate is 0.5%
3. Comprehensive tax regime for carried interest

The Bill also introduces a carried interest regime. The provisions cover the taxation of gains earned from the disposal of units, shares or other securities issued by an alternative investment fund in the framework of a carried interest as well as the mere carried interest.

The provision applies to employees of alternative investment fund managers or alternative investment fund management companies.

Capital gains earned upon sale of units, shares or securities covered by the present draft law are tax free if held for more than 6 months, except if the individual holds or held a substantial participation.

Carried interest not represented by units, shares or other securities are taxed as extraordinary income at a quarter of the global tax rate (around 11%).

The tax provisions qualify the income of carried interest as other income (not as income of salaried activity) and limit the tax regime to individuals that became tax resident in Luxembourg during the year or the 5 subsequent years as from the enactment of the Bill. The provisions only apply for income earned within 10 years following the year the individual began their employment contract in Luxembourg. They do, however, not apply to individuals that have been tax residents or taxed on professional income in Luxembourg anytime during the 5 last years before the year the law has been enacted. Neither do the provisions apply to carried interest where prepayments have been made.

SUMMARY

- No taxation of capital gains realised upon sale of shares/units in an alternative investment fund if sold after 6 months and if not a substantial shareholding (less than 10%)
- Carried interest taxed as extraordinary income at a quarter of the global tax rate (around 11%)
- Applicable to employees of alternative investment fund managers or alternative investment fund management companies (becoming tax resident in Luxembourg during the year or during the 5 years following the enactment of the law)
- Eligible employees can keep the advantage 11 years as from the year the individual began their employment contract in Luxembourg

10 Alternative investment fund management companies are the structural (legal, corporate) entities that manage alternative investment instrument funds.

11 As per Article 100 of the Luxembourg Income Tax Law of 4 December 1967 (“LIR”) essentially at least 10% of the share capital held directly or indirectly.
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Indirect Tax aspects of new regime
While implementing the new AIFMD, Luxembourg has clearly seized the opportunity to reform VAT rules applicable to investment funds.

One of the major reforms undertaken by Luxembourg concerns the recasting of the existing management of the Investment Fund VAT exemption regime. In particular, the Bill implementing AIFMD foresees a recast of the Luxembourg VAT law which currently makes the management of supervised UCITS and securitization vehicles exempt from VAT (under certain conditions). The aim of this modification is to align the VAT treatment of the management of AIF to the management of UCITS and securitization vehicles. The consequence should be that, where certain conditions are met, management fees charged by an AIFM to its AIF should not be subject to VAT and it is not entitled to recover the input VAT incurred.

It should be noted that practical aspects still need to be discussed to take into account the specificities of the management of an AIF as opposed to the management of a UCITS. In this context, each structure (in particular the structures where management is delegated) shall be properly analyzed in order to mitigate VAT leakage.

In particular, the implementation of an AIF under the form of an SCSp should require particular care and may be a chance for the VAT authorities to issue guidelines. Indeed, unlike the direct tax treatment, an SCSp may be considered as a “non transparent” vehicle according to the definition of a taxable person for VAT purposes. Such qualification would imply that the VAT exemption would be extended to this vehicle.
Accounting aspects of SCSp
Luxembourg’s new limited partnership regime is primarily targeted at private equity players, for whom the set up of new fund-raising vehicles will now be facilitated, structured as regulated vehicles such as SIF or SICAR, or in the form of unregulated SCSp.

The new special limited partnerships will have to prepare accounts for their investors, either due to specific law requirements, such as the SICAR or SIF laws, or if it is stated as such in the LPA.

Consequently, the most commonly used GAAP will include:

- Luxembourg GAAP
- IFRS;
- “Other”

Luxembourg GAAP is used in reference to the legal and regulatory requirements in Luxembourg which are applicable to specific fund-raising structures and laid out mainly in the following laws:

- Law of 15 June 2004 on Investment Company in Risk Capital, as further amended (“SICAR Law”);
- Law of 13 February 2007 on Specialised Investment Funds, as further amended (“SIF Law”);
- Law of 10 August 1915 on Commercial Companies, as further amended (“Company Law”)

Luxembourg GAAP applicable for regulated fund-raising vehicles explicitly allows the exemption from consolidation.

1. Unregulated SCSp: which GAAP to choose?

Unlike its unregulated counterpart – SCS that must prepare, approve and file annual accounts, the unregulated SCSp, which is “detached” from the SIF or the SICAR legal framework, will not need to prepare annual accounts and will merely have to keep its books in accordance with general commercial accounting rules. Accordingly, accounts of unregulated SCSp are only prepared in cases where this is provided in the LPA. Consequently, the contractual audit of such accounts will typically take place if the LPA explicitly mentions this.

In terms of GAAP to be used, the LPA may stipulate a number of options, depending on the way business is undertaken or based on any specific requirements from investors. The LPA may explicitly state the desired accounting framework it wishes to apply (including but not limited to US GAAP, UK GAAP, IFRS and even Lux GAAP as applicable to specific legal and regulatory vehicles) or, as will commonly be the case, state that:

“the accounts will be prepared in accordance with the accounting policies determined by the General Partner” or

“the accounts will be prepared on the basis of the policies set out in note XX / in accordance with the Limited Partnership Agreement”.

SUMMARY

- The SCSp will have to prepare accounts for investors, either due to specific law requirements such as the SICAR or the SIF Law or when stated in the LPA
- Luxembourg GAAP, IFRS or “other” GAAP will be the most commonly used accounting frameworks in the preparation of accounts
- Luxembourg GAAP allows exemption from consolidation

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Both statements allow for a reasonable degree of flexibility in selecting accounting policies and disclosures. They are typically referred to as “other” GAAP. It is advisable to consult with auditors regarding the selection of accounting policies and disclosures at the early stages in the drafting of an LPA.

However, should an LPA state that the “accounts will give a true and fair view,” this statement will immediately push the reporting towards a “comprehensive reporting framework” such as IFRS, US GAAP, UK GAAP or Lux GAAP.

Up until now, private equity vehicles have intentionally “avoided” IFRS because of current consolidation requirements which are largely irrelevant for private equity investors. It is to be noted, however, that IFRS will soon introduce consolidation exemptions for investment entities, which may, under specific conditions, be applicable for private equity funds and potentially increase appetite for the IFRS reporting framework.

The choice of GAAP can significantly increase or reduce complexity in the reporting and accounting process of a limited partnership.

2. Accounting topics

Distribution waterfall provisions in any given LPA describe the allocation process and sequential order of distributions to limited and general partners.

Distribution of any kind, including capital distribution or return of capital and income distribution, are subject solely to the rules stated in the LPA. In other words, there are no limitations regarding the distribution of profits and there are no restrictions relating to the distribution of capital and reserves.

In practice, accounting treatment of carried interest may vary largely, depending on the provisions of carried calculation provided in the LPA. It is an important part of the distribution waterfall, which is often complex and might leave room for interpretation. There are many variations in the distribution waterfall model, however in most cases the LPA requires Limited Partnerships to pay their invested capital and preferential return first, before the carried interest kicks in. Complications to this basic waterfall model include, among others, provisions for a catch up interest and capital distributions made on each exit, on a deal-by-deal basis, supplemented by claw back provisions.

In some cases, carried interest will be accrued based on unrealised gains and/or recorded in each financial year where investments were made (in the case of a “deal-by-deal” waterfall provision). In other cases, carried interest is calculated and monitored on a regular basis, but is only recorded in the accounts once LPs have received their invested capital and preferred return in full, which usually occurs in the final years of the partnership, close to liquidation.

Calculation of and accounting for carried interest is one of the most difficult areas of private equity accounting and therefore demands detailed analysis of the carried calculation provisions made in the LPA.

SUMMARY

- Distribution waterfall provided under the LPA dictates the allocation process and sequential order of distributions
- Nonetheless, there are many complexities and variations inherent in the accounting treatment of carried interest, therefore detailed analysis of LPA carried calculation provisions is required
- Due to an increasing demand for transparency, GPs are increasingly using recognised best practice guidance
It is to be noted that, from an investor’s point of view, transparency is becoming increasingly important. Investors are no longer satisfied with the level of information provided in quarterly reports and tend to challenge their GPs regarding the way in which key performance indicators are arrived at or reconciled with audited financial statements or how carried interest is calculated, expenses are shifted from the Manager to the fund, portfolio companies are managed or valuation of assets is carried out. Therefore, existing GPs are increasingly using recognised best practice guidance such as ILPA quarterly reporting standards, IPEV Reporting Guidelines, EVCA Handbook and engage auditors to independently review selected reports and related procedures.

3. Further related guidance and best practice examples

Further industry recognised guidance on private equity reporting and best practice can be obtained from:

- Updated Private Equity and Venture Capital Valuation Guidelines issued by the International Private Equity and Venture Capital Board http://www.privateequityvaluation.com
- Standardised Reporting Standards and Templates from the Institutional Limited Partners Association ("ILPA") http://ilpa.org
- Handbook of Professional Standards for Private Equity released by the European Venture Capital Association ("EVCA") http://www.evca.eu
- Luxembourg Private Equity Association ("LPEA") http://www.lpea.lu/
Conclusion

In summary, the advantages of the new regime are:

☑ Increase in Luxembourg’s attractiveness as a location for fundraising activities

☑ Creation of a vehicle equivalent to the common law Limited Partnership having either legal personality or being a contractual arrangement

☑ Enables promoters to propose to their clients a sole jurisdiction for fundraising and underlying investment structuring

☑ Provide contractual flexibility in order to adapt the vehicle to the needs of the promoters and investors

☑ Tax neutrality (no CIT, no MBT, no NWT)
KPMG services

Tax Advice
- Advice on choice of most appropriate fund vehicle
- Tax due diligence for the assessment of potential tax risks inherent in a potential investment
- Advice on tax efficient structures
- Assistance in calculating tax provisions, preparation and review for financial reporting purposes
- Related domestic tax planning advice

Fundraising
- Advice on fund structuring options to help mitigate tax exposure and ensure tax compliance
- Advice on the fund’s regulatory and compliance requirements
- Act as a sounding board in the license application process of regulated funds (SICARs and SIFs) with regulators

Deal origination
- Financial and business modeling
- Pre-transaction valuation and assessment of deal’s value creation potential
- Financial, tax, and legal due diligence
- Forensic background checks on new funds or investments

Evaluation and investment
- Independent valuation of private equity portfolios for investors
- Fairness opinions on the price and terms of a transaction as required by tax and regulatory authorities
- Advice on the design of valuation policies and procedures

Plan delivery
- Build and assess project plans encompassing the strategic operational or financial input required to improve performance
- Advice on crucial buy, sell, or hold decisions for optimum returns
- Help meet investors’ requirements for regular portfolio valuations and reporting disclosures

Audit
- Statutory and contractual audits of Luxembourg PE funds
- Stand alone and consolidated audits of SPVs
- Agreed upon procedures on regulations and funds’ reporting to investors

Regulatory assistance
- Tailored approach related to AIFMD requirements and related business opportunities

Tax Compliance
- Preparation, review and submission of corporate tax, VAT and any other tax returns
- Management of your tax risks and your relationship with tax authorities
- Help with tax authorities’ inquiries and dispute resolution
- Advice on your approach to tax governance and corporate tax compliance

Exit
- Act as divestment advisor by utilizing KPMG’s international network of practitioners
- Help determine if a portfolio company has reached potential value and is ready to be sold
- Help determine if a company is groomed effectively for disposal
- Advise on an exit strategy that limits tax liabilities on divestures

Realisation
- Help ensure the reliability of the financial and commercial information that underpins a transaction
- Plan realization strategies at the pre-investment deal stage
- Provide assistance with tax matters for investors
- IPO support services
- Buyer searches, running auction processes
Private Equity Training

- We offer different formats of private equity training courses and your company may choose your preferred approach depending on complexity, difficulty, knowledge, experience, skill levels of participants and time available:
- a conventional style training, which is a one or two day course, containing theory and practical real-life examples;
- an accounting school type training consisting of a series of training sessions, given on a regular basis (i.e. weekly, max 2 hours each session) and focusing on one key topic at a time; or
- a combination of the above, with selected topics provided throughout the year.

Sustainable performance improvements for private equity firms’ back offices in Luxembourg

- Assistance for PE service providers in optimising finance processes and services provided to PE clients with the aim of achieving economies of scale, adding value to activities or transactions and offering great potential for cost management by streamlining existing processes and procedures
- Financial Analysis – improving the organisation’s ability to analyse, rather than producing the results

Accounting and Reporting

- Accounting process: assistance in putting in place faster closing and consolidation of results: early cut off, hard close
- Reporting process: assisting you in meeting the accelerated and or multiple reporting requirements and additional disclosure requirements: financial statements, internal reporting and various returns for tax or statistical purposes
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