



**Reserved Alternative  
Investment Funds (RAIF)**

The missing link

December 2018

# RAIF

The ultimate tool to achieve alternative investment industry needs

## Why a new vehicle?

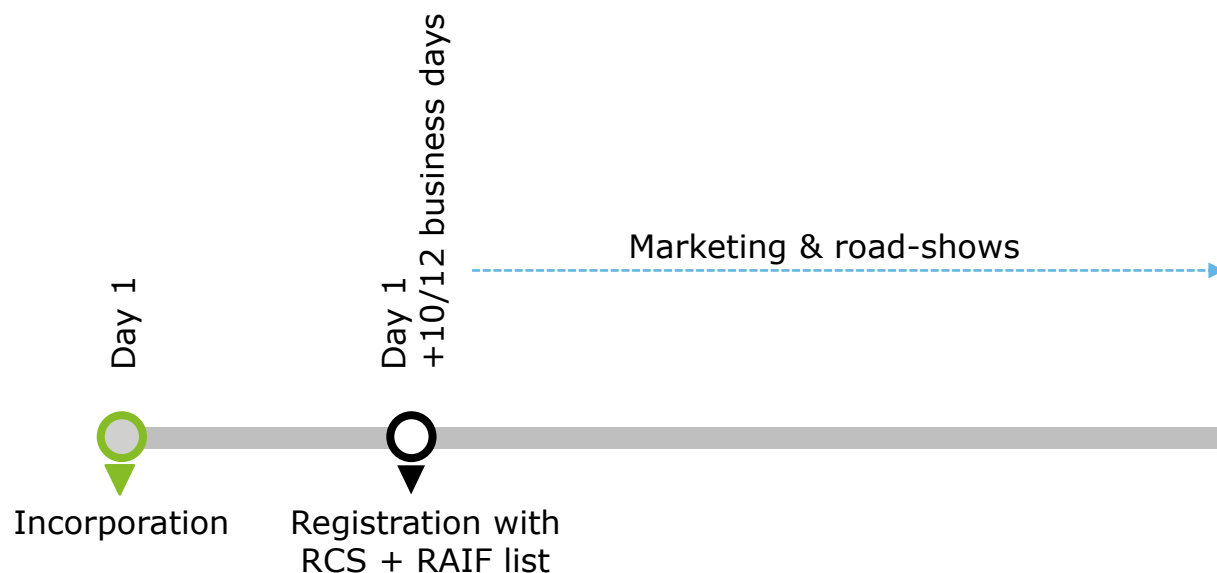
- **Overlapping regulatory framework** at product/manager level
- **Reduction in the time to market**
- **Significant costs** incurred
- SCS/SCSp/Soparfi regime does **not allow segregation of risks and variable capital**

## What was proposed?

- Following strong lobbying from industry specialists to create a more **flexible mechanism** that is based on all currently available regimes, on 13 July 2016 the Luxembourg Parliament voted on a new law for the purpose of creating a **new type of alternative investment fund** in Luxembourg, the RAIF
- The law offers a mechanism “**directly inspired**” by the **currently available fund regime**

# RAIF

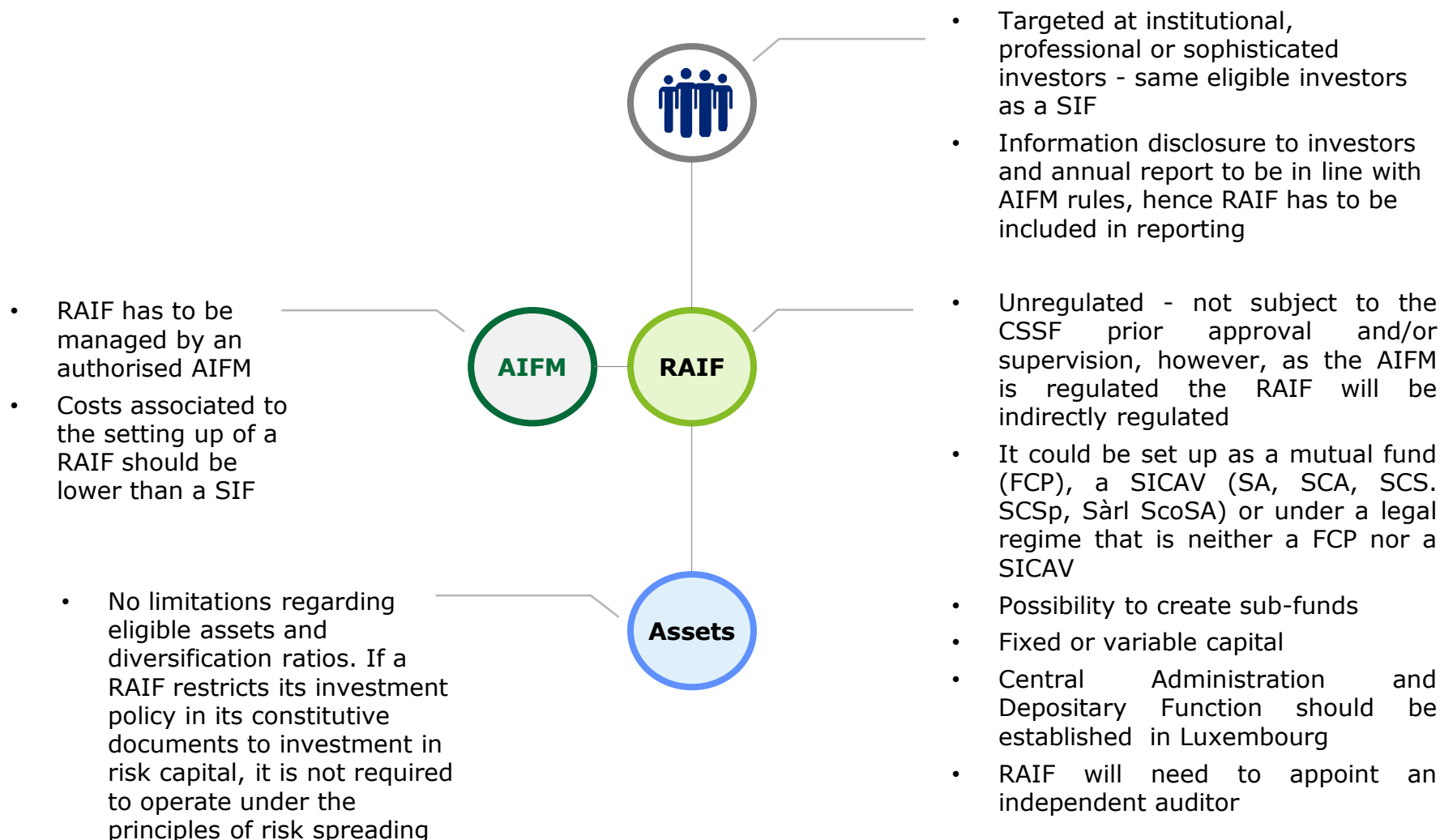
As from now on, projects can be launched...



- The vehicle will be an AIF that is not subject to the CSSF supervision, hence **less time is required for setting-up**
- The RAIF has to be **managed by an authorised AIFM** located in Lux/EU/3<sup>rd</sup> country (where AIFMD passport available)

# RAIF

## Minimal rules should apply while benefiting from the AIFM status



# RAIF

## Points of attention

Even though the RAIF is not regulated, supporting documentation is required (subscription agreement, set-up documentation, depository agreement, etc.)

Role of the auditor in the structure and at the level of the RAIF is key/central

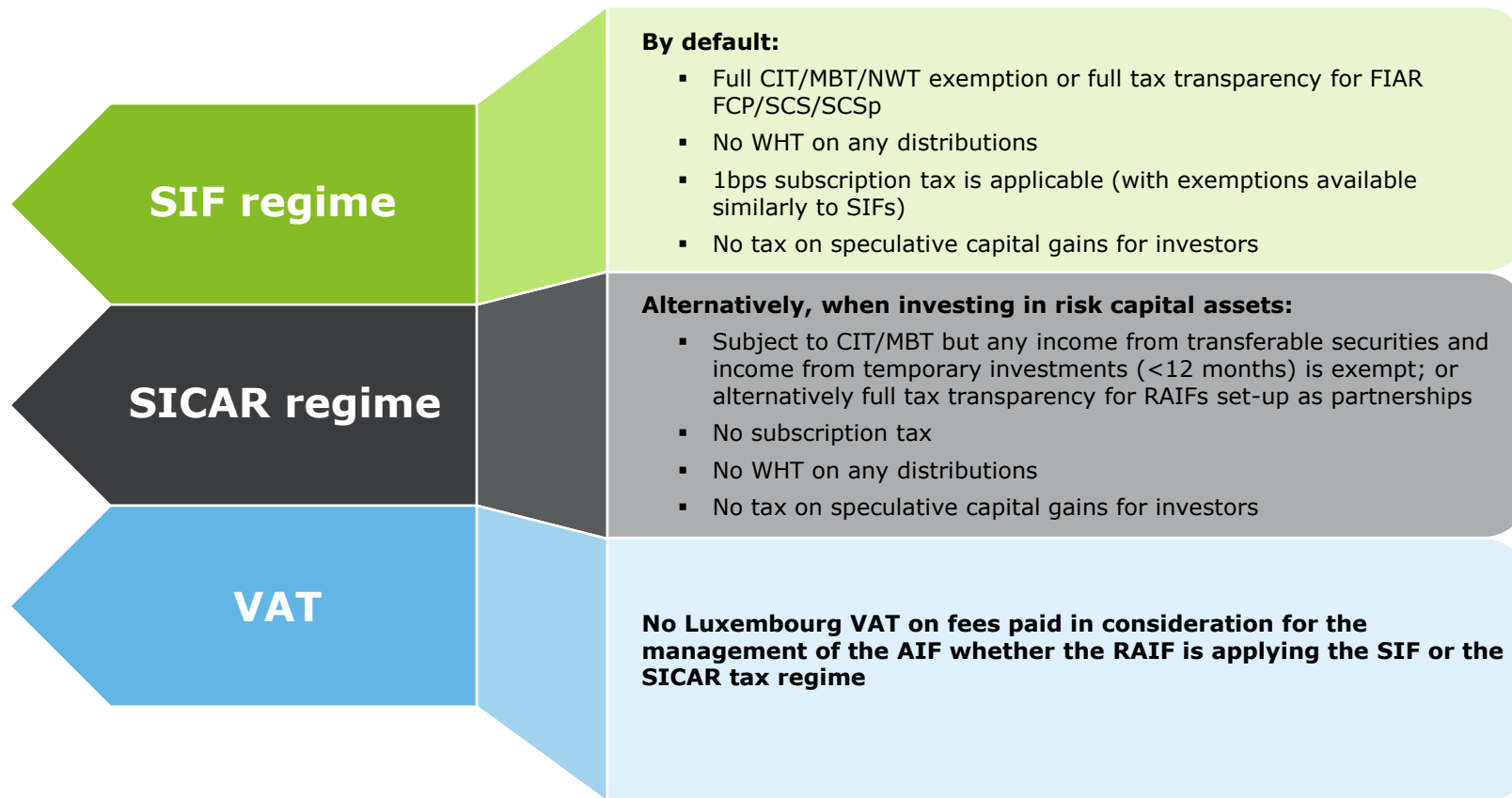
Distribution and marketing can be organized similarly to any other EU regulated investment vehicles

CSSF Circulars as reference and best practice



# RAIF

A tax neutral fund vehicle relying on the existing SIF or SICAR regimes

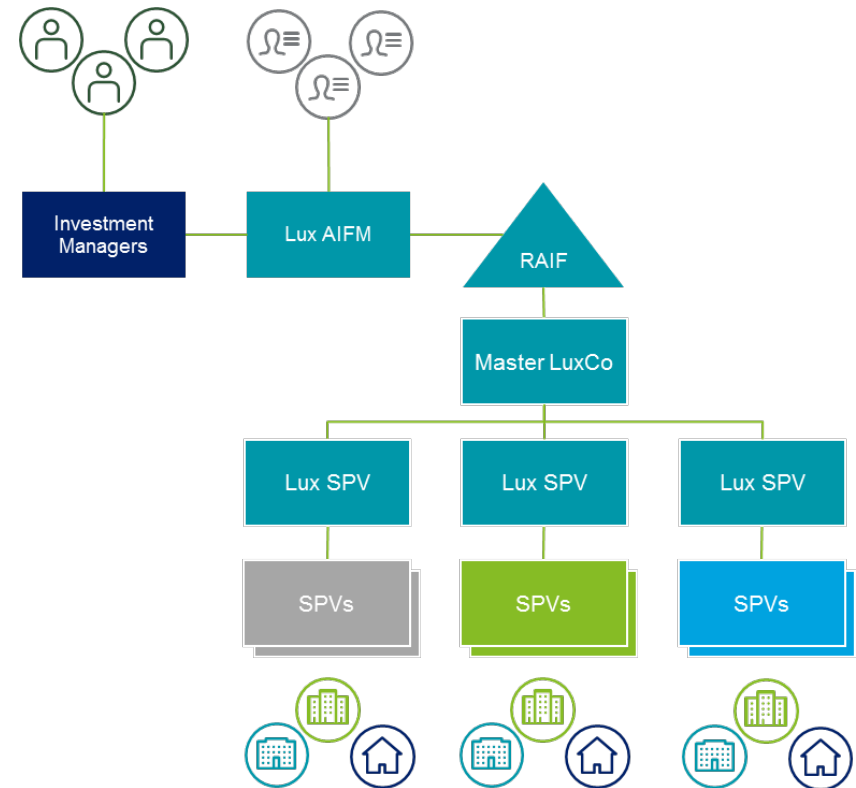


# What is the right business model to operate going forward?

## A new tax environment requiring a change in the approach

- Tax residency is a critical element in determining the right to rely on certain tax benefits (treaty benefits or EU Directives):
  - Tax residency should be understood in accordance with international tax law principles (OECD), EU concepts (e.g. Principal Purpose Test) or ECJ case laws and foreign jurisdictions tax principles (e.g. GAAR, domestic case laws, etc.).
  - The final BEPS reports dated 5 October 2015 - aimed at fighting certain tax optimization/avoidance strategies – made some precise recommendations re. the design of domestic rules to prevent treaty abuse.
  - The EU tightened its tax framework and followed some of the BEPS recommendations:
    - ▶ Amendment of EU Parent-Subsidiary Directive to introduce so-called GAAR (January 2015)
    - ▶ Directive on Common Reporting Standard (December 2014)
    - ▶ Directive on the exchange of information on cross-border ATA/APA (December 2015)
    - ▶ Directive on Country-by-Country reporting (May 2016)
    - ▶ Anti Avoidance Tax EU Directive (July 2016)
- A consolidated model whereby the AIF (pooling investors) and the SPVs (pooling all the investments) are in the same jurisdiction with a certain minimum level of substance/activities should allow to reduce the risk of challenges from a BEPS/foreign tax perspective and make the structure appear more robust.
- The RAIF vehicle could be one solution that fits into a wider strategy of sustainability of your fund structure. Expectation is that this new business model should meet the Principal Purpose Test, recommended by the EU in respect of action 6 and 15 of BEPS.

Example of a consolidated model (simplified chart)



# Key Contacts



**Private Equity Leader**  
Nick Tabone  
Partner  
+352 451 452 264  
ntabone@deloitte.lu



**Real Estate Leader**  
Lize Griffiths  
Partner  
+352 451 452 693  
lizgriffiths@deloitte.lu



**EMEA Investment Management Leader**  
Vincent Gouverneur  
Partner  
+352 451 452 451  
vgouverneur@deloitte.lu



**Tax Leader**  
Raymond Krawczykowski  
Partner  
+352 451 452 500  
rkrawczykowski@deloitte.lu



# Key Contacts



**IM Advisory &  
Consulting Leader**  
Simon Ramos  
Partner  
+352 451 452 702  
siramoss@deloitte.lu



**Tax – Real Estate**  
Francisco da Cunha  
Partner  
+352 451 452 337  
fdacunha@deloitte.lu



**Tax – Real Estate**  
Yves Knel  
Partner  
+352 451 452 260  
yknell@deloitte.lu

# Key Contacts



**Tax – Private Equity**  
Raphaël Louage  
Partner  
+352 451 452 898  
rlouage@deloitte.lu



**Tax – Private Equity**  
Dany Teillant  
Partner  
+352 451 452 246  
dteillant@deloitte.lu