



**Empower your art activities**  
Art & Finance

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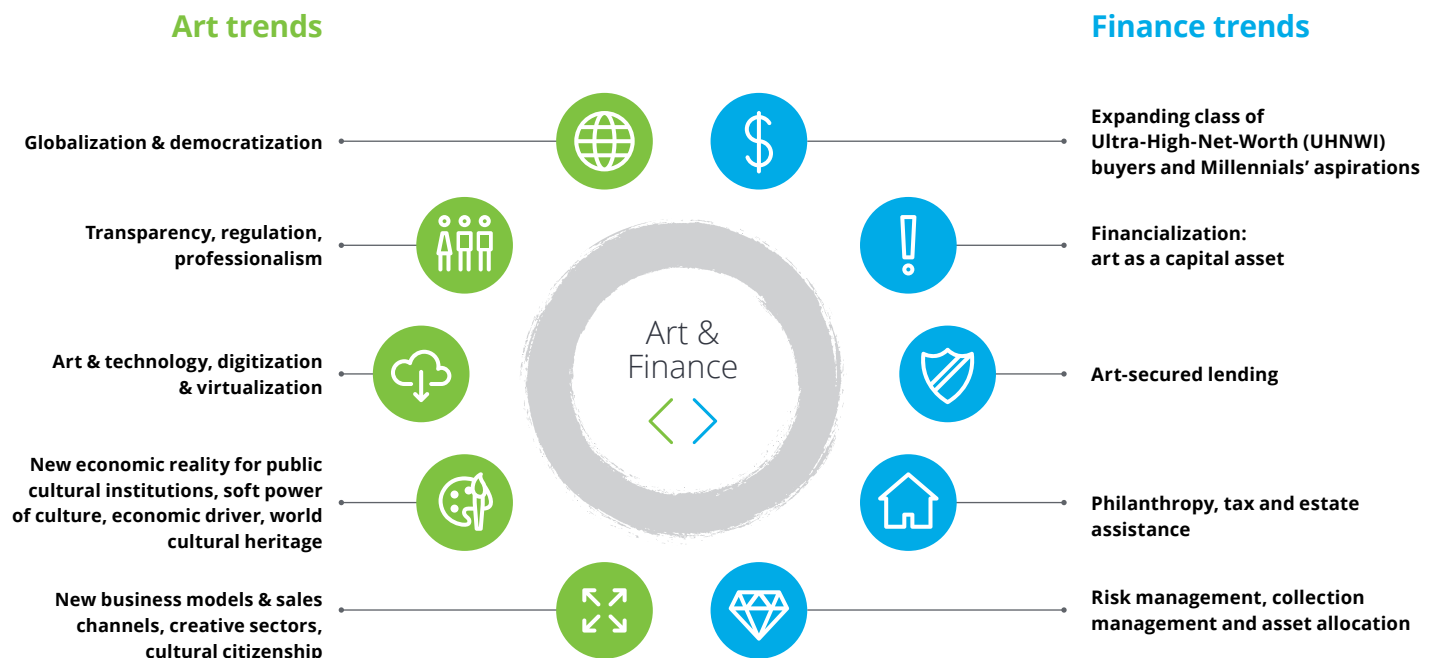
# Art & Finance, an emerging industry

The global art market is rapidly creating new opportunities at the intersection of art and finance.

As the population of high-net-worth individuals grows and the art market matures, there is increased demand for financial innovation and opportunities for increased yield. The trend towards greater wealth allocation in the form of collectibles – such as art, collectible cars, wine and jewelry – is also creating new demand for financial services to address these tangible asset classes.

At the same time, technology continues to disrupt the industry, making art more accessible and changing how art is both viewed and produced.

Together, these factors are creating new opportunities for collectors, investors, and financial and art institutions alike.



Source: Deloitte Luxembourg

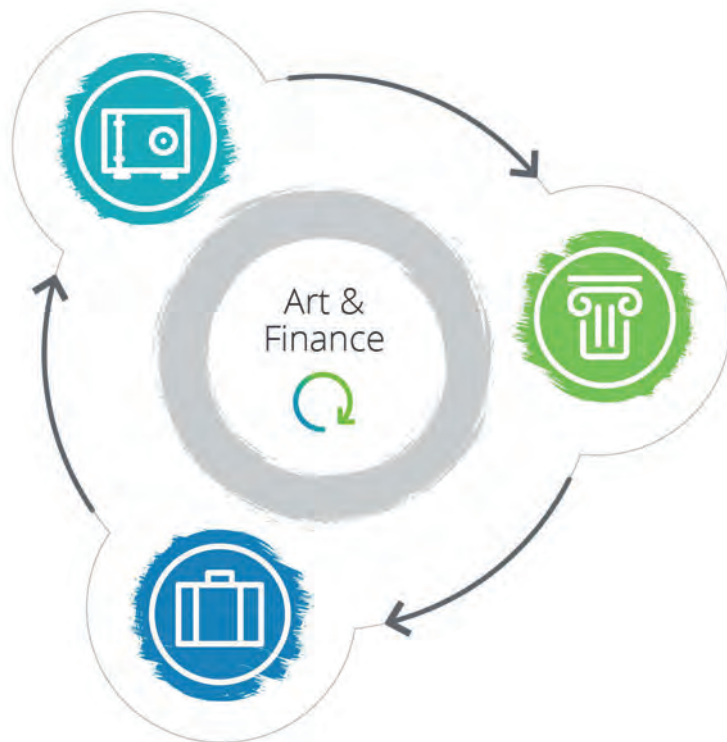


**Art & Finance is uniquely positioned at the intersection of three interconnected sectors**

Source: Deloitte Luxembourg

**Finance**

- Private bankers
- Wealth managers
- Family offices
- Private investors/collectors
- Art/collectible fund promoters
- Art insurance companies
- Art trading companies



**Culture**

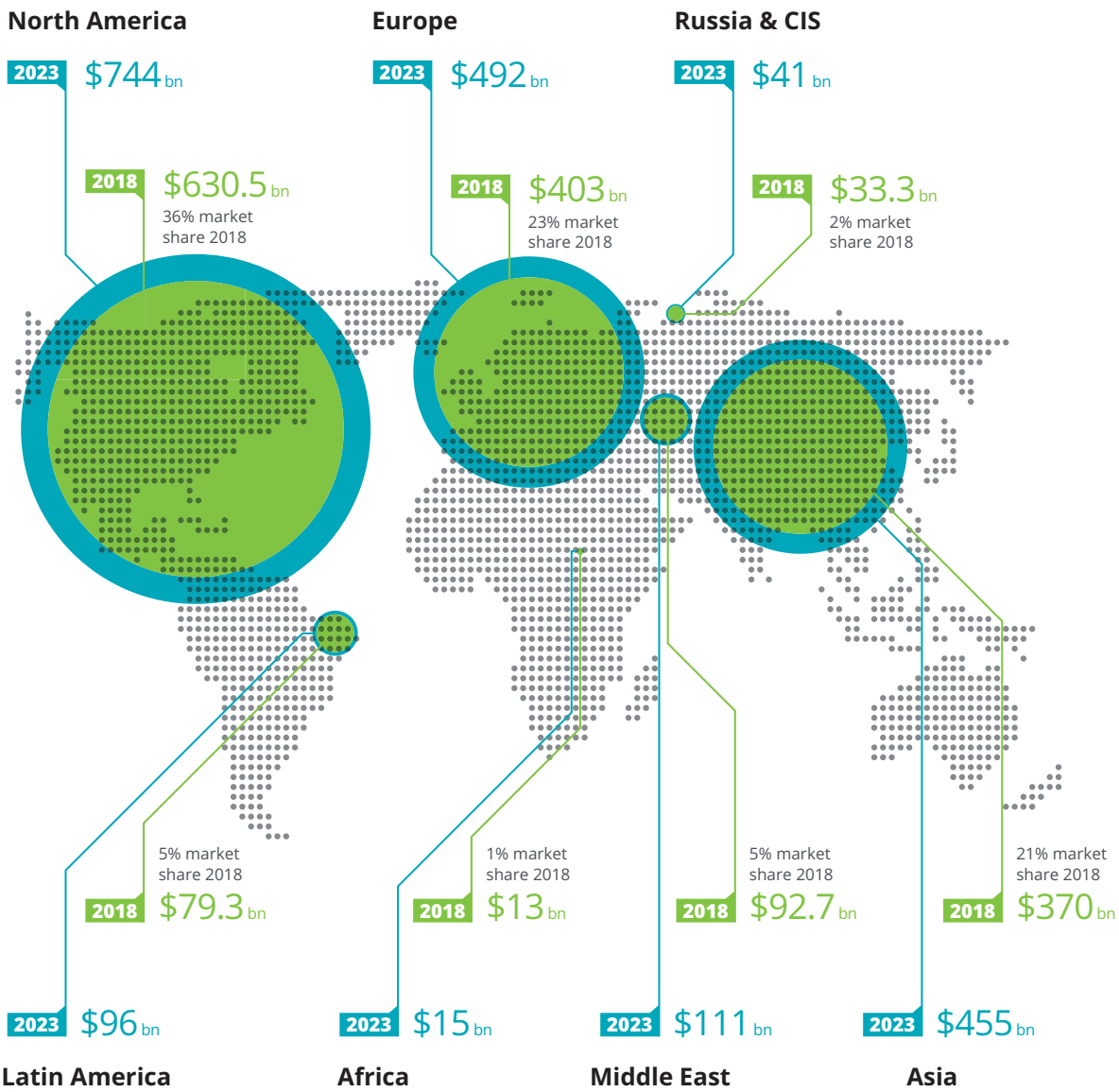
- Large public museums
- Private museums
- Corporate collectors
- Private collectors
- Public authorities (country, region, city, etc.)

**Business**

- Companies selling art
- Digital art companies
- Art logistics companies
- Art fairs
- Art & media companies
- ArtTech companies
- Cultural and creative sectors

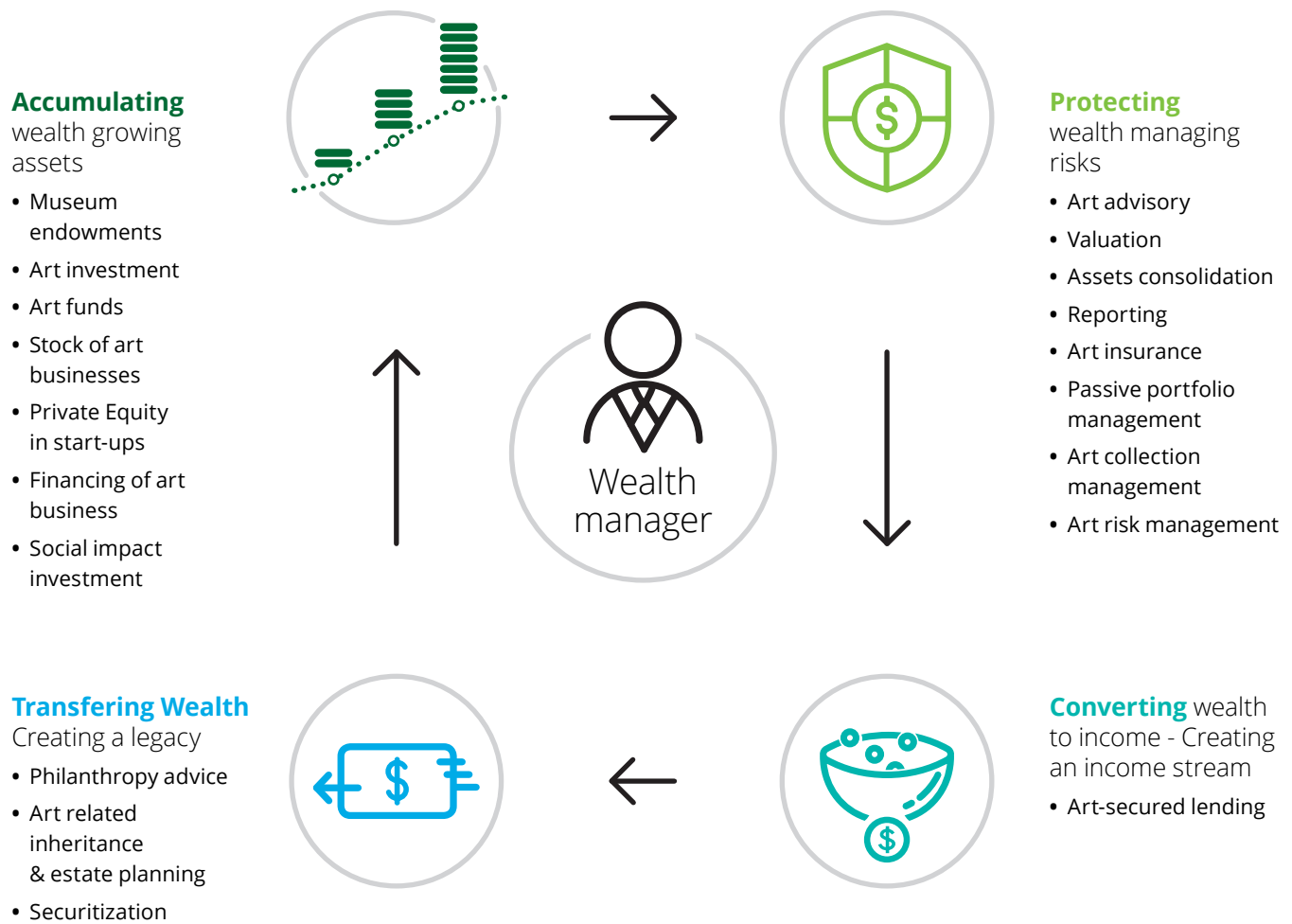
### Global UHNWI art & collectibles wealth 2018 estimates

Source: Deloitte Luxembourg & ArtTactic - Art & Finance Report 2019



## Typology of art wealth management services

Source: Deloitte Luxembourg



### Not included

- Client entertainment
- Internal education
- Art sponsoring
- Corporate collection

# Deloitte Art & Finance

Since its inception in 2008, Deloitte's Art & Finance practice has evolved into a far-reaching global service offering

Deloitte Art & Finance has a global presence, with teams and subject matter experts in 25 countries, including the US, Canada, Luxembourg, UK, Spain, Italy, France, the Netherlands, Germany, Poland, China, Singapore, and Nigeria.

Deloitte Art & Finance assists financial institutions, art businesses, collectors and cultural stakeholders with their art-related activities.

The Deloitte Art & Finance team has a passion for art and brings expertise in consulting, tax, audit and business intelligence to the global art market.

## Core Offerings

Deloitte leverages the expertise, experience and resources of the world's largest professional services firm.



### Art-related services

#### Consulting

Strategy and operations for financial services companies, and art/cultural institutions, including:

- Growth, business & digital strategy
- Operations and process optimization
- Technology & Innovation (Blockchain)
- Regulatory strategy and compliance
- Market research and education
- Startup launching and growing support

#### Tax

- Gift and estate assistance
- Philanthropy and charitable assistance
- Indirect tax assistance
- Import/export strategies
- Intellectual property rights
- Art and collectible investment vehicle structuring

#### Financial Advisory

- Anti-money laundering trainings
- Forensic investigations
- Counterparty screening
- Automated Know-Your-Customer (KYC) solution
- Control efficiency report

#### Audit

Statutory audit of the financial statements of funds investing in art and collectible assets

Deloitte Art & Finance assists financial institutions, art businesses, collectors and cultural stakeholders with their art-related activities.

# Focus on Art & Tech

## Blockchain services

Blockchain is a very promising technology for the artworld, as its characteristics bring solutions to problems that the art world has struggled with in the past: transparency for buyers and sellers, traceability of artworks, or even security of transactions.

Deloitte Luxembourg developed a Proof of-Concept in 2016 that demonstrates how blockchain technology can solve the current provenance and traceability issues by tokenizing an artwork and storing on a distributed ledger its full transactional history in a secure environment available to all.

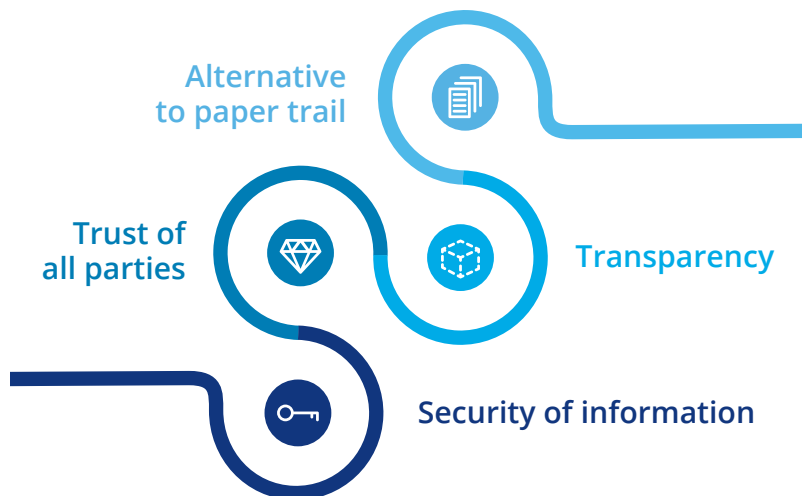
As Deloitte is convinced that a solution based on distributed ledger technologies can have a strong impact on the Art Market, Deloitte's innovation lab, D.Lab, developed this year a new prototype to highlight blockchain features in the art field, by providing a new user-centric approach. This prototype highlights the feasibility to connect all members of the art ecosystem, from investors, to sellers, to artists, and certifying bodies onto one network.

This prototype allows users to buy or sell certified artworks that have been split into multiple parts through blockchain. All characteristics of the artworks are securely registered and accessible.

As third-party mediation is not needed anymore to validate money transactions, the blockchain also brings better speed and efficiency.

Finally, this new prototype globally demonstrates the possibility to combine an end-to-end tracking system, a transparent marketplace, as well as an investment platform.

### Blockchain benefits for the art market



“Deloitte Consulting also advises art/cultural institutions on how to apply technologies to improve the way the art industry works or to bridge the link between the art and finance industries. For example, by using modern technologies such as IoT and Distributed ledger Technology artwork can be securely traced, stored for insurance or collateralization purposes. It can also be securitized using digital tokens for investment and exchanges purposes. Additionally, thanks to our knowledge of new ArtTech we are able to support our art/cultural institutions clients on the best technological solutions to implement new ideas or business models.”





# Solvastm

## for art secured lenders

### Our comprehensive set of solutions are:

- Built on state-of-the-art, standardized technology platforms
- Ready-to-use without unknown implementation costs
- Business user-friendly
- Modular and flexible to allow you to choose only the functionality you need
- Capable of stand-alone implementation or integration with existing infrastructure
- Available for on-premise or hosted installation
- Competitively priced

#### **Solvastm | Portfolio™**

A robust portfolio and asset administration, cash activity tracking, and reporting system designed to support the administrative processes.

#### **Solvastm | Agent™**

An administration and reporting system to support the activities of loan administrative agents.

#### **Solvastm | Digitize™**

A full-service platform for intelligent automation of data extraction and document management to significantly reduce the need for manual processing.

For more information on these or other Solvas products, please visit [www.SolvastmSoftware.com](http://www.SolvastmSoftware.com) or contact us for a demonstration of our comprehensive set of efficient, scalable, and cost-effective solutions.



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# Focus on Direct Tax (IP Box) and R&D Funding

## Additional support for art businesses

Innovative products and services are seen as a means to drive economic growth. Revealing their importance, Luxembourg has focused on developing innovation over the years, resulting in setting up various indirect or direct aids.

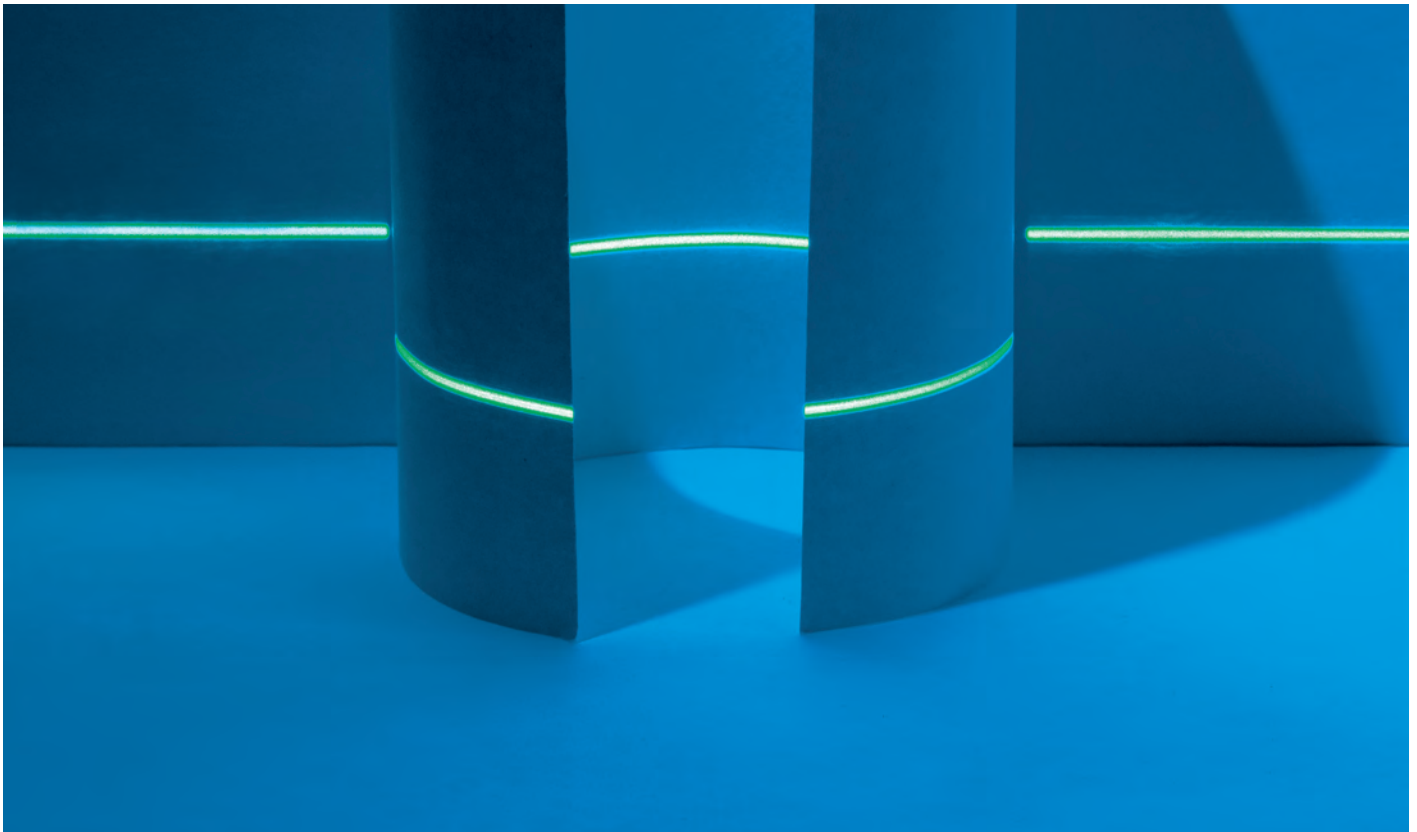
### Indirect Aids

- Partial exemption of software related revenues through the potential application of the new Luxembourg IP Box regime
- Tax credit for investments
- Tax credit for software

### Direct Aids

- Various national subsidies schemes

Not only subsidies schemes are available at the national level, but also at the EU one. Indeed, recognizing innovation as a key element for development, a wide range of direct aids has been developed at the EU level.



# Focus on Indirect Tax

## Artworks and Indirect Taxes

### Is it art?

This question makes a lot of sense for Indirect tax purposes as the Customs and VAT rules relating to artworks are very peculiar.

Customs and/or VAT warehouses, freeports, temporary admission/importation regimes, specific rules for artists, for galleries, for collectors and for intermediaries, different rules – including different VAT rates and possibly reduced rates – varying in each member state of the European Union...

Finding out the most efficient indirect tax path, taking into account business and logistic constraints, may be thorny. Any “art business” stakeholder must bear these considerations in mind in order to avoid unpleasant surprises and possible deal breakers.

### Deloitte's offer - Art at work: A tailor-made approach

Customs and VAT rules relating to artworks are far too complex for a ‘one size fits all’ structure. Depending, among other, on the nature of the seller, the purchaser, the intermediaries, the artwork itself, the physical flow of the artwork and the place where the artwork is sent, the best approach from an indirect tax viewpoint may be totally different.

### Your advantage

We offer the expertise of a network of European indirect tax specialists dedicated to this issue; you will benefit from the best advice to set-up your artworks operations in a VAT effective way. You will avoid bad surprises, last-minute deal breakers and other indirect tax pitfalls.

Customs and VAT rules relating to artworks are far too complex for a “one size fits all” structure.

# Case Study 1

## Direct Tax - Collector family office

### Need

Deloitte was engaged to assess the estate options for ultra high-net-worth (UHNW) collector family



### Client

A family office needs to address the estate of a recently deceased UHNW collector



### Analysis

Analysis conducted by Deloitte Tax to explore lifetime and inheritance tax assistance options for the surviving spouse and children

### Scope

Deloitte Tax assesses the family's current situation and objectives to determine options for the surviving spouse and children and a strategy for next steps



### Deliverable

Deloitte Tax provides a matrix of assistance considerations tailored to the specific family and art collection, which is created to facilitate conversations with the family members

### Impact

Deloitte Tax enabled a family office to proactively address a sizable collection in a tax efficient manner



# Case Study 2

## Private bank strategy

### Need

Deloitte was engaged to assist a leading private bank in developing its art services strategy and offerings



### Client

A leading private bank wants to grow revenue, relationships, and income through a unique set of art-related capabilities, and become the market-leading brand



### Market

Deloitte Consulting benchmarks existing art services vs. competitors



### Growth

Deloitte Consulting develops strategy for supporting existing clients through increased suite of art services, and pursuing new client segments



### Target

Deloitte Consulting segments bank clients to match activities and art services to distinct client personas



### Workshop

Deloitte Consulting holds several client workshops to develop suite of activities that support the art services ecosystem



### Marketing

Deloitte Consulting develops enhanced marketing and brand strategy

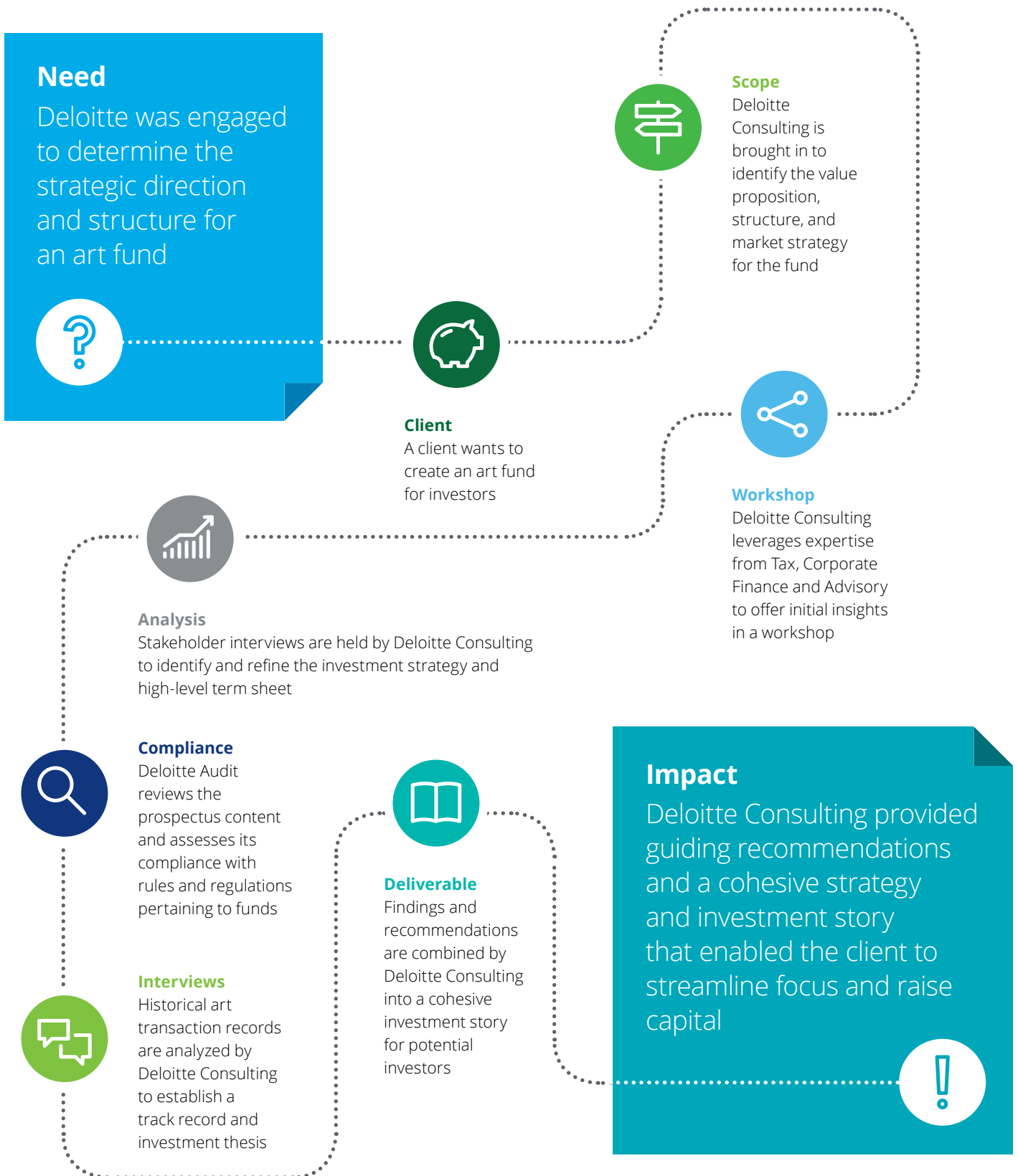
### Impact

Deloitte crafted business and marketing initiatives that helped the bank enhance focus to better service existing clients and maximize revenue, and increase their art-brand power to grow existing and new client segments



# Case Study 3

## Art fund strategy



# Case Study 4

## Artwork trader (auction house, dealer, gallery, online seller) compliance framework



# Deloitte's Eminence

Deloitte is a market leader in Art & Finance research and supports the growth of the global Art & Finance ecosystem.



### International Conferences

Annual conferences with multiple plenary sessions, bringing together international experts and thought leaders.



### Seminars & Masterclasses

Topics include collection care and management, art market intelligence/performance, wealth management, technology and risk management.



Locations have included Luxembourg, London, Paris, Miami, Basel, Maastricht, New York, Amsterdam and Milan.



Masterclasses have been in collaboration with ArtTactic, TIAS University, and Van Gogh Museum Amsterdam.



### Art & Finance Report

The 6<sup>th</sup> edition of Deloitte's premier art industry report, the 2019 Art & Finance Report provides in-depth perspective on the evolution of the market through detailed surveying and analysis of a wide variety of key industry players.



The Art market



Art as an investment



Art & wealth management



Art & technology



Art secured lending



Risk management & regulation



**25**

Family offices

**48**

Key opinion formers

**54**

Private banks

**105**

Prominent art collectors

**138**

Galleries, auction houses, art advisors



# dLaw

member of the Deloitte Legal network



## **The Art of Law**

DLaw – a law firm for the Art and Finance Industry

At DLaw, a dedicated team of lawyers supports art collectors, dealers, auctioneers, museums, private banks and art investment funds at each stage of their project.

**[www.dlaw.lu](http://www.dlaw.lu)**

# Deloitte.



## Power on your peace of mind

D.KYC — Operational compliance delivered in managed services to the art and finance industry

D.KYC (Deloitte Know Your Customer) is an integrated managed service that combines numerous KYC/AML/CTF\* services, expertise, and workflow management. The service is supported by a multi-channel web-based platform and allows you to delegate the execution of predefined KYC/AML/CTF activities to Deloitte (Deloitte Solutions SàRL PSF, ISO27001 certified).

[www2.deloitte.com/lu/dkyc](http://www2.deloitte.com/lu/dkyc)

\* KYC: Know Your Customer - AML/CTF: Anti-Money Laundering and Counter-Terrorism Financing

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