

Deloitte Regulatory and Tax alert

The Reserved Alternative Investment Fund (RAIF) – A new and innovative vehicle to host alternative investment funds in Luxembourg

30 November 2015

On 27 November, the Luxembourg Government adopted a new draft law, for the purpose of creating a new type of alternative investment fund in Luxembourg: the Reserved Alternative Investment Fund (*Fonds d'Investissements Alternatifs Réservés*).

This new vehicle will widen the scope of the different options for structuring Private Equity, Real Estate or Hedge Funds projects and will reduce time to market significantly.

The Reserved Alternative Investment Fund (RAIF) will be the perfect tool for alternative investments players

The Reserved Alternative Investment Fund (RAIF) will be able to be set-up within a few days and will be largely modelled on the specialised investment fund (SIF) regime. However, the Reserved Alternative Investment Fund (RAIF) will not be subject to the approval and/or supervision of the Luxembourg regulatory authority and it will benefit from the structuring flexibility also applied to the other types of Luxembourg investment funds and Société d'investissement à capital variable (SICAR), as pointed out by the Luxembourg Government in its official communication.

The Reserved Alternative Investment Fund (RAIF) will be managed by an authorized AIFM and as such will be indirectly subject to the AIFMD regime. The AIFM regulation will be fully applicable with the related investor protection and the Reserved Alternative Investment Fund (RAIF) will benefit from the marketing passport granted to the AIFM.

It is worthwhile noting that the Reserved Alternative Investment Fund (RAIF) should be able to adopt any fund strategy, invest in any asset class and, under certain conditions, not be required to diversify its portfolio of assets.

The Reserved Alternative Investment Fund (RAIF) will benefit from the tax regime applicable to funds with some particularities

The applicable tax regime will depend on how the fund is set up.

We understand that it will be exempt from corporate income tax, municipal business tax and net worth tax. There will not be withholding taxes on distributions or any tax on speculative capital gains for investors. A 1 bps subscription tax (with exemptions available) will be applied.

If the Reserved Alternative Investment Fund (RAIF) will invest in risk capital benefits, then it may be subject to corporate income tax and municipal business tax. However, any income from transferable securities and income from temporary investments (investments made for less than 12 months) will be exempt. Again, there will not be withholding taxes on distributions or any tax on speculative capital gains for investors.

Next Steps

The Luxembourg parliament must now review, discuss and, if necessary, modify the draft law before it can be approved. A final vote is expected during the first half of 2016.

How Deloitte can help you

We have summarised the key aspects of this new vehicle in the following [slides](#).

Should you require advice and assistance on defining the opportunities created by the Reserved Alternative Investment Fund (RAIF) on your business activities as well on your cross-border distribution strategy, please do not hesitate to contact our team of experts.

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