

HOW TO SET UP

A SOPARFI (SOCIÉTÉ DE PARTICIPATIONS FINANCIÈRES)

DESCRIPTION

A *société de participations financières* (SOPARFI) is an ordinary commercial company that can take advantage of Luxembourg's network of double taxation treaties. The term SOPARFI is generally used to describe the corporate object of a holding company, which mainly consists in holding participations in or providing financing to other companies. A SOPARFI is a company that mainly holds participations in other taxable companies. Dividends and capital gains generated from these participations are exempt from tax in Luxembourg under certain conditions. Nevertheless, a SOPARFI can be used for any type of investor and any type of asset. In principle, such a company could also undertake any commercial activity that is subject to corporate income tax and VAT.

AUTHORISATION REQUIREMENT

A SOPARFI does not require preliminary or formal authorisation unless it aims to undertake a commercial activity. In this case, it is obliged to request authorisation of establishment from the *Ministère des Classes Moyennes*.

SUPERVISORY AUTHORITY

A SOPARFI is not subject to any supervisory authority.

LEGAL AND REGULATORY FRAMEWORK

SOPARFIs do not have a specific legal status and are subject to the legal provisions of the amended law of 10 August 1915 on commercial companies.

LEGAL FORM

A SOPARFI can be incorporated in the legal form of a public limited liability company (*SA – société anonyme*), a private limited liability company (*Sàrl – société à responsabilité limitée*), a partnership limited by shares (*SCA – société en commandite par actions*), a cooperative company (*SC – société cooperative*) or a European company (*société européenne*). In the case of a public limited liability company, it is managed by a board of directors composed

of at least three members, be they individuals or legal entities, whether resident in Luxembourg or not. If all the shares are owned by a single investor, then a single director is authorised with respect to the management of the company.

CENTRAL ADMINISTRATION

Since a SOPARFI is governed by Luxembourg law, its central administration must be located in Luxembourg.

TAX SYSTEM

The SOPARFI is subject to the normal rate of corporate income tax, municipal business tax and net wealth tax (i.e. 29.22% as from 1 January 2014). As from 1 January 2013, a minimum corporate income tax of EUR 3,210 (including the 7% surcharge) is applicable. Nevertheless, some types of income such as dividends and capital gains from shareholdings realised by the SOPARFI may, under certain conditions, benefit from the participation exemption regime. In particular, the SOPARFI needs to commit to hold at least ten per cent of the shares in a fully taxable company for at least one year. If the threshold of 10% is not met, an exemption is nevertheless available if the acquisition price of the shares was higher than EUR 1.2 million for dividends and EUR 6.0 million for capital gains. Expenses directly economically linked to this exempt income are not tax deductible up to the amount of the exempt income.

Finally, the SOPARFI may benefit from a large network of tax conventions signed by Luxembourg, in order to reduce

CAPITAL BASE

The minimum share capital varies depending on the legal form adopted:

public limited liability company: EUR 31,000;
private limited liability company: EUR 12,500.

the withholding tax rates in foreign jurisdictions.

EXTERNAL AUDITING

Verification of the accounts must be entrusted to an auditor or a chartered accountant authorised under Luxembourg law to exercise this profession.

SPECIALIST SERVICE PROVIDERS

A number of legal firms, public notaries and financial sector professionals have specialist expertise in the creation of companies and can assist applicants in the process of setting up a SOPARFI in Luxembourg.

Useful information sources

www.lff.lu

Luxembourg for Finance

www.barreau.lu

Ordre des Avocats du Barreau de Luxembourg

www.ire.lu

Instituts des Réviseurs d'Entreprises