

**Luxembourg  
Vehicles for  
Islamic Finance**

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## FOREWORD



Luxembourg is recognised as one of the leading European centres for Islamic finance. This is not the result of a recent initiative: we have a long track record in the sector.

In 1978 Luxembourg hosted the first Islamic finance institution to establish in a western country (the Islamic Banking System). In 1983, the first *shariah* compliant insurance company in Europe was established in Luxembourg and in 2002 Luxembourg was the first European stock exchange to list a *sukuk*.

Today, Luxembourg is the leading non-Muslim domicile for shariah compliant investment funds and is a popular stock exchange for the listing of *sukuk*.

As Minister in charge of the financial centre and, more recently, Minister of Finance, I have lent my full support to the development of this sector, travelling with delegations to a number of Gulf Cooperation Council (GCC) and Asian markets.

In April 2008 the Government set up a Task Force, charged with identifying obstacles to the development of Islamic finance and ways to support its growth. Working groups were subsequently set up by the Association of the Luxembourg Fund Industry (ALFI) and by Luxembourg for Finance, the agency for the development of the financial centre.

This led to decisions on the tax treatment of *shariah* compliant vehicles, research into eligible assets for *shariah* compliant UCITS funds, the development of best practice guidelines and the launch of dedicated training courses by the Luxembourg Institute for Training in Banking (IFBL).

The Luxembourg Central Bank is the first European central bank to be a member of the Islamic Financial Services Board (IFSB) and is working actively to gain experience of supervisory practice in this area and identifying instruments and practices for managing liquidity in a *shariah* compliant manner. In May 2011 Luxembourg had the honour of hosting the IFSB Annual Summit.

I believe that Luxembourg has much to offer Islamic finance clients, including:

- decades of experience in dealing with an international client base and focusing on the cross-border distribution of products and services;
- a legal framework that permits the creation of *shariah* compliant products and services;
- clear guidelines from the authorities on the tax treatment of Islamic finance products;
- political stability.

This brochure is aimed at those who are interested in setting up a *shariah* compliant product or service in the Grand Duchy of Luxembourg. It provides information on the legal framework, tax treatment and professional services available in the financial centre.

I hope it will encourage you to choose Luxembourg as the domicile for your project.

**H.E. Luc Frieden**  
Minister of Finance

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# THE LUXEMBOURG FINANCIAL CENTRE

Luxembourg is well known to the financial communities of many Muslim countries. It has been chosen by a number of sovereign wealth funds as the domicile for international investment structures and the Luxembourg stock exchange is one of the favourite platforms in Europe for the listing of *sukuk*.

Luxembourg is a fully diversified financial centre with particular expertise in key areas. It is the second largest investment fund centre in the world after the United States and world leader in the cross-border distribution of retail investment funds. It is the largest wealth management centre in the Eurozone and the premier captive reinsurance market in the European Union.

From its origins as a Eurobond and Euroloan centre in the 1960s, Luxembourg subsequently grew as a private banking centre and then as a leading domicile for investment funds. Besides retail investment funds, Luxembourg offers a vibrant market for hedge funds, real estate companies, private equity and venture capital vehicles and structured finance products.

## DEFINING CHARACTERISTICS

Luxembourg's success as a financial centre is founded on its social and political stability as well as on its best-in-class legal and regulatory environment, which is refreshed on a regular basis by consultation between the government, the legislator and the private sector. Thus, over the years, specific regulation has been introduced to enable the creation of a wide range of financial products and services. This business friendly legal environment has attracted banks, insurance companies, investment fund promoters and specialised service providers from all over the world.

The financial centre stands out for its multilingual and multicultural workforce, which has extensive experience in the needs of an international clientele. It is also characterised by a strong culture of investor protection and rigorous anti money-laundering policies.

## ISLAMIC FINANCE SERVICE PROVIDERS

A number of major banks, legal and audit firms, fund administration companies and other service providers have trained and active Islamic finance teams. A list of these companies can be found on our website [www.islamicfinanceluxembourg.lu](http://www.islamicfinanceluxembourg.lu) in the section Service Providers.

# THE LUXEMBOURG LEGAL ENVIRONMENT

In order to review the compatibility of Luxembourg law with *shariah* principles, a cross-sector working group was set up by the Government in April 2008 to identify potential obstacles to the development of Islamic Finance in Luxembourg.

The group reported back favourably. Luxembourg offers a wide range of structures that can be *shariah* compliant and address the specific needs of both investors and initiators.

Luxembourg retail investment funds are governed by Part I of the Law of 17 December 2010 on undertakings for collective investment (the 2010 UCI Law), which replaced previous legislation in this field. Known as undertakings for collective investment in transferable securities (UCITS), they may be structured in a *shariah* compliant manner. Luxembourg UCITS can be sold throughout the European Union and are also widely accepted for distribution in jurisdictions around the world.

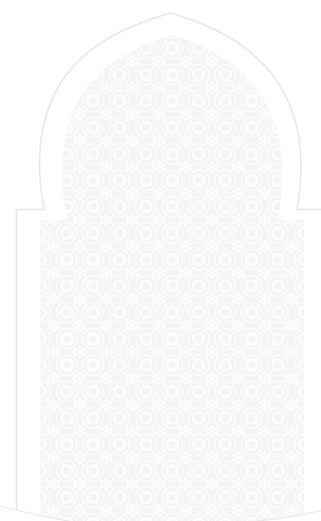
Other regulated investment fund structures exist that do not have the European passport<sup>1</sup> but which benefit from a more flexible regulatory regime. These include undertakings for collective investment (UCIs) created under "Part II" of the law of 17 December 2010, investment companies in risk capital (SICARs) and specialised investment funds (SIFs), the last two governed by separate pieces of legislation. All may be structured in a *shariah* compliant manner.

Financial transactions may be structured as securitisation vehicles, which may be regulated or not, depending on how often they raise capital from the public.

Regulated investment funds are supervised by the financial sector supervisory authority, the *Commission de surveillance du secteur financier* (CSSF). The CSSF has experience in the authorisation and supervision of Islamic finance investment structures.

## COMPLIANCE WITH *SHARIAH* LAW

The CSSF does not place any conditions on a fund with regard to the compatibility of its investments with *shariah* law. From a Luxembourg regulatory perspective, the CSSF will seek to ensure that all applicable Luxembourg legal requirements are complied with, that the persons involved in the management of a fund have the adequate expertise and that the sales documentation is sufficiently clear to allow investors to understand the consequences of their investment.



<sup>1</sup> This situation will change with the implementation of the EU Alternative Investment Fund Directive which introduces a passport for alternative investment funds with effect from 2013.

# SUMMARY OF COMMONLY USED ISLAMIC FINANCE STRUCTURES

	UCITS and UCI	SIF	SICAR	Securitisation Vehicle	SOPARFI	SPF
	Undertakings for collective investment	Specialised investment fund	Investment company in risk capital	Vehicles for securitisation transactions	Company dedicated to holding, managing and financing subsidiaries	Family wealth management company for the holding of financial assets
Applicable regulation (see glossary for full legal reference)	2010 UCI Law Part I (UCITS) and II (UCI), respectively	2007 SIF Law, as amended	2004 SICAR Law, as amended	2004 Securitisation Law, as amended	1915 Companies Law, as amended	2007 Law on SPF
Supervision by CSSF	Yes	Yes	Yes	No <sup>1</sup>	No	No
Eligible assets	Restricted for UCITS Flexible for UCI	Unrestricted	Private Equity and Venture Capital	Unrestricted	Unrestricted	Financial assets
Risk diversification rules	Yes	Yes	No	No	No	No
Eligible investors	Unrestricted	Professional and well informed investors	Professional and well informed investors	Unrestricted	Unrestricted	Individuals and their intermediaries

<sup>1</sup> If securities are not issued to the public on a continuous basis

	UCITS and UCI	SIF	SICAR	Securitisation Vehicle	SOPARFI	SPF
Tax treatment	No tax except for an annual subscription tax of 0.05% on the Net Asset Value (reduced rate or exemption available)	No tax except for an annual subscription tax of 0.01% on the Net Asset Value, except if exempt	Corporation taxes at a combined rate of 28.80% <sup>2</sup> but full tax exemption on income from securities invested in venture capital	Corporation taxes at a combined rate of 28.80% <sup>2</sup> , but any distributions made or declared to be made to investors are tax deductible	Corporation taxes at a combined rate of 28.80% <sup>2</sup> . Net worth tax at 0.5%	No corp. tax unless 5%+ of dividends received from companies not subject to the equivalent of Lux corporate tax. Annual subscription tax of 0.25% with a maximum of €125,000
Required service providers	Auditor, Administrator, Central depository	Auditor, Administrator, Central depository	Auditor, Administrator, Central depository	Auditor	Auditor	Domiciliation agent and/or auditor
Practical application for shariah compliant products	to be reviewed on a case by case basis	<i>Mudarabah</i> <i>Musharakah</i> <i>Murabahah</i> <i>Ijara</i>	<i>Mudarabah</i> <i>Musharakah</i> <i>Ijarah</i>	<i>Murabahah</i> <i>Ijarah</i> <i>Sukuk</i>	<i>Mudarabah</i> <i>Musharakah</i> <i>Murabahah</i> <i>Ijarah</i>	Holding of Islamic financial assets
Benefit from tax treaties	Yes if in the form of a SICAV <sup>3</sup>	Yes if in the form of SICAV <sup>3</sup>	Yes <sup>3</sup>	Yes <sup>3</sup>	Yes <sup>3</sup>	No
EU Passport	Yes for UCITS	No	No	Yes	No	No

<sup>2</sup> Rate applicable in the city of Luxembourg

<sup>3</sup> Individual treaties to be checked

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# SHARIAH COMPLIANT INVESTMENT FUNDS

Luxembourg's position as the leading centre for internationally distributed investment funds, combined with the financial centre's growing expertise in Islamic finance, make the country an ideal location for the creation, administration and cross-border distribution of *shariah* compliant investment vehicles.

## LUXEMBOURG: FIFTH LARGEST ISLAMIC FUND DOMICILE WORLDWIDE

Luxembourg is rapidly becoming a hub for *shariah* compliant investment funds, with promoters keen to harness the country's strengths and expertise in cross-border fund distribution. The figures speak for themselves: Ernst & Young's 2010 Islamic Funds & Investments Report ranks Luxembourg as the fifth largest domicile for *shariah* compliant investment funds.

## WELL ADAPTED FUND STRUCTURES

Luxembourg offers a variety of attractive fund structures for *shariah* compliant investment.

Over the last 20 years, Luxembourg has built its position as the most popular domicile for UCITS. Originally created as a retail product, UCITS are widely sold both to the public and to corporate and institutional investors. Benefiting from a European distribution passport, UCITS are marketed across the European Union and in many other countries around the world including countries in Asia, Latin America and increasingly the Middle East. For example, 600 Luxembourg funds are registered in Bahrain. Luxembourg has positioned itself as the leading hub for international distribution of investment funds: 75% of all funds sold cross-border are domiciled in the Grand Duchy<sup>1</sup>. This expertise in cross-border distribution makes Luxembourg the ideal location for the domiciliation of *shariah* compliant funds created to be sold to retail or institutional investors around the world.

At the same time, Luxembourg has developed a strong track record in alternative investment products such as hedge funds, funds of hedge funds, private equity and real estate funds. Structures such as the specialised investment fund (SIF), which allows a wide range of different investment types, can be used for private equity, real estate or other alternative investment schemes aimed at institutional or high net worth investors.

The table *Comparison of structures commonly used for shariah compliant investment funds* provides an overview of the legal and regulatory framework for UCITS, "Part II" UCIs and SIFs.

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<sup>1</sup> Source: PwC, Global Fund Distribution Chart 2011.

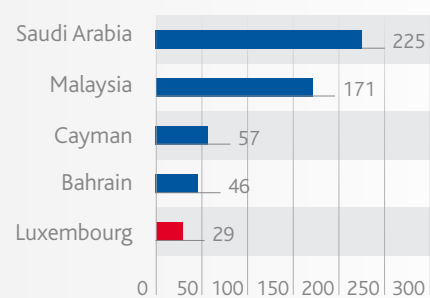
While the choice of regime will depend upon the investment strategy selected and the investor base targeted, most *shariah* compliant funds launched in Luxembourg are structured either as UCITS or as SIFs. A number of *shariah* compliant funds have adopted the UCITS structure, which is well suited to the principles underlying Islamic finance. UCITS funds are also used by Islamic fund promoters seeking broad distribution to retail or institutional investors around the world. By contrast, the SIF structure is often used for *shariah* compliant real estate and private equity funds reserved for institutional and informed investors.

*"We chose Luxembourg as our domicile for HSBC Amanah's shariah compliant UCITS because of its brand and reputation as a fund centre, its expertise and skills in fund operations, and its global reach for fund distribution."*

Razi Fakhri, Deputy CEO, HSBC Amanah

## TOP 5 SHARIAH COMPLIANT FUND DOMICILES

by number of legal structures<sup>1</sup>



Source: Ernst & Young Islamic Funds & Investments Report 2011

<sup>1</sup> The existence of multiple class investment funds brings the total number of shariah compliant investment classes to 38.

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<sup>1</sup> Source: PwC, Global Fund Distribution Chart 2011.

## COMPARISON OF STRUCTURES COMMONLY USED FOR SHARIAH COMPLIANT INVESTMENT FUNDS

	SIF	PART II UCI	Part I UCITS
Applicable law	2007 SIF Law	Part II of the 2010 UCI Law	Part I of the 2010 UCI Law
Eligible investors	Well informed investors	Retail, institutional and professional investors	Retail, institutional and professional investors
Ease of set-up	CSSF approval required, but launch possible prior to approval. Approval application must be made within one month from creation of the SIF.	CSSF approval required. Authorisation must be received prior to starting the activities of the UCI.	CSSF approval required. Authorisation must be received prior to starting the activities of the UCITS.
Eligible assets	Unrestricted	Flexible	Restricted
Investments restrictions	No specific investment and borrowing restrictions in the 2007 SIF Law, but flexible principle based risk diversification requirements.  CSSF has set benchmark restrictions which can be adapted for specific projects.  Max. 30% of the SIF's assets can be invested in securities of the same type of the same issuer.	Yes - quantitative & qualitative (provisions of Part II of the 2010 UCI Law, and CSSF Circulars).	Yes - quantitative & qualitative (provisions of Part I of 2010 UCI Law and CSSF Circulars).
Risk management	An appropriate risk management procedure should be in place.	A defined risk management procedure must be in place.	A defined risk management procedure must be in place.
Cross-border distribution	No European passport. In principle, distribution on a private placement basis.	No European passport. Distribution on a private placement basis or via specific registration	Cross-border distribution in the EU via the European passport and in many other countries via bi-lateral agreements.
Approval of initiator [to be checked]	No	Yes (financial resources, experience, reputation)	Yes (financial resources, experience, reputation)
Substance in Luxembourg/ nationality or residency requirements	Head office of SICAV/SICAF or management company of FCP in Luxembourg.  No nationality/residency requirements for directors/managers.	Head office of SICAV/SICAF or management company of FCP in Luxembourg.  No nationality/residency requirements for directors/managers.	SICAV or management company of FCP established in Luxembourg or else use of a Management Company established in another EU country.  No nationality/residency requirements for directors/managers.

	<b>SIF</b>	<b>PART II UCI</b>	<b>Part I UCITS</b>
<b>Required service providers</b>	Depositary Central administration agent Auditor	Depositary Central administration agent Auditor	Depositary Central administration agent (except where a non-Luxembourg EU UCITS Management Company is used) Auditor
<b>Approval of management</b>	Yes (experience, reputation)	Yes (experience, reputation)	Yes (experience, reputation)
<b>Possible listing</b>	Yes	Yes	Yes
<b>Minimum content of prospectus</b>	No specific content of prospectus prescribed by the SIF Law; must contain essential information enabling investors to make an informed judgment of the contemplated investment	Yes	Yes
<b>Legal forms</b>	<ul style="list-style-type: none"> <li>• Investment company with variable capital (SICAV) to be incorporated as a:               <ul style="list-style-type: none"> <li>- public limited company (SA)</li> <li>- private limited company (Sàrl)</li> <li>- cooperative company organised as a public limited company (SCoSA)</li> <li>- partnership limited by shares (SCA);</li> </ul> </li> <li>• Investment company with fixed capital (SICAF) to be incorporated in various legal forms, such as e.g. a public limited company (SA) or a corporate partnership limited by shares (SCA).</li> <li>• Common fund (FCP)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment company with variable capital (SICAV) to be incorporated as a public limited company (SA)</li> <li>• Investment company with fixed capital (SICAF) to be incorporated in various legal forms, such as e.g. a public limited company (SA) or a corporate partnership limited by shares (SCA)</li> <li>• Common fund (FCP)</li> </ul>	<ul style="list-style-type: none"> <li>• Investment company with variable capital (SICAV) to be incorporated as a public limited company (SA)</li> <li>• Investment company with fixed capital (SICAF) to be incorporated in various legal forms, such as e.g. a public limited company (SA) or a corporate partnership limited by shares (SCA)</li> <li>• Common fund (FCP).</li> </ul>

	<b>SIF</b>	<b>PART II UCI</b>	<b>Part I UCITS</b>
<b>Minimum capital/net assets</b>	Yes (€1,250,000 to be reached within 12 months)	Yes (€1,250,000 to be reached within 6 months)	Yes (€1,250,000 to be reached within 6 months)
<b>Paid-up capital</b>	<ul style="list-style-type: none"> <li>• Possibility of issuing partly paid shares in a SICAV/SICAF (up to 5% at least) and partly paid units in a FCP</li> <li>• Units/shares do not have to be issued or redeemed at NAV</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility of issuing partly paid shares in a SICAF (up to 25% at least) and partly paid units in a FCP</li> <li>• Units/shares have to be issued or redeemed at NAV, except in a SICAF</li> </ul>	<ul style="list-style-type: none"> <li>• Possibility of issuing partly paid shares in a SICAF (up to 25% at least) and partly paid units in a FCP</li> <li>• Units/shares have to be issued or redeemed at NAV</li> </ul>
<b>Sub-funds</b>	Yes	Yes	Yes
<b>Multiple share classes, series</b>	Yes	Yes	Yes
<b>Issue/Redemption restrictions</b>	No (freely determined)	No (freely determined)	No (freely determined, but redemptions must be possible at least twice a month)
<b>Restrictions on dividend distribution</b>	No (but not below minimum capital/net assets)	No (but not below minimum capital/net assets)	No (but not below minimum capital/net assets)
<b>Reporting requirements</b>	Yes (annual report)	Yes (semi-annual and annual report + NAV calculation at least once a month)	Yes (semi-annual and annual report + long-form report + NAV calculation at least twice a month)
<b>Subscription tax</b>	Yes (0.01% of net assets, except exemptions)	Yes (0.05% of net assets, except exemptions or reduced rate of 0.01%)	Yes (0.05% of net assets, except exemptions or reduced rate of 0.01%)
<b>Corporate income tax and municipal business tax</b>	No	No	No
<b>Withholding taxes (on dividends)</b>	No (except if EU savings directive is applied)	No (except if EU savings directive is applied)	No (except if EU savings directive is applied)
<b>Double tax treaties benefit</b>	Yes <sup>1</sup>	Yes <sup>1</sup>	Yes <sup>1</sup>

<sup>1</sup> Depending on the applicable tax treaty (to be verified on a case by case basis)

# REAL ESTATE INVESTMENT FUNDS

Luxembourg is recognised as a leading location for real estate funds with cross-border investments. Luxembourg investment structures appeal to investors who seek a robust platform for international investment strategies, combined with a flexible regulatory regime and efficient tax results. Luxembourg offers investment vehicles with varying degrees of regulation, tax efficient repatriation models and a pro-active attitude in addressing the needs of a rapidly changing global economy.

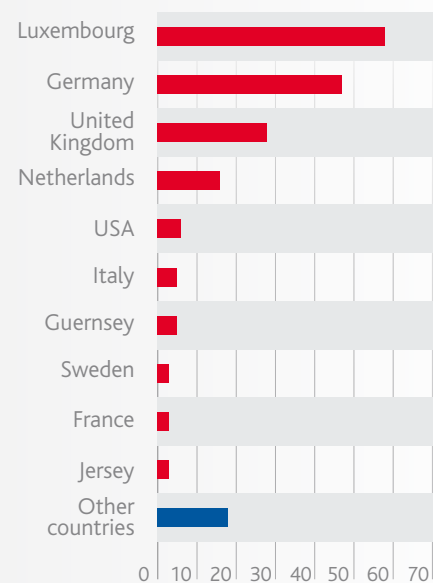
The number of *shariah* compliant real estate funds is still small compared to conventional real estate funds, but the sector is growing rapidly. An increasing number of fund managers, particularly from the Middle East North Africa (MENA) region, have recently created *shariah* compliant real estate investment vehicles in Luxembourg. They are drawn by an attractive tax regime, a well adapted legislative framework, the availability of professional expertise and a skilled, multi-lingual workforce.

Whilst the establishment of a fund and its operations may not vary significantly between a conventional real estate fund and its *shariah* compliant equivalent, four constraints usually need to be addressed by fund managers:

1. *shariah* compliant structuring;
2. selection and use of underlying real estate assets;
3. financing alternatives;
4. *shariah* compliant governance rules.

In this respect, Luxembourg offers an appropriate legal and tax environment that provides solutions to these constraints.

## VEHICLE DOMICILES FOR NON-LISTED EUROPEAN REAL ESTATE FUNDS INVESTED INTERNATIONALLY



Source: INREV vehicles database, August 2009

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## STRUCTURING SHARIAH COMPLIANT REAL ESTATE FUNDS IN LUXEMBOURG

*Shariah* compliant real estate investment can be achieved in different ways, for example by using a *mudarabah* or *ijarah* contract, depending on the commercial objectives. The *mudarabah* model mirrors the conventional structure of real estate funds from a legal perspective. For example, a *mudarabah* contract is similar to the relationship between a fund manager (general partner) and investors in a fund (limited partners), or a management company and its unit holders. By contrast, an *ijarah* contract is considered to be sale of the usufruct of an asset (payment of a rent for the right to use the asset). In general, the rules governing *ijarah* may be considered to be similar to those governing conventional leases, subject to a number of restrictions or modifications.

Fund vehicles in Luxembourg provide various options when structuring *mudarabah* contracts. The choice of the appropriate vehicle generally depends on the style (i.e. core, value added or opportunistic), operating model and tax structuring of the fund.

Continuing with our example of *mudarabah* contracts within the sphere of regulated real estate funds, specialised investment funds (SIFs) provide a useful degree of flexibility. A *shariah* compliant SIF may be structured as a corporation, that is as a public limited company (*société anonyme*, SA) a private limited company (*société à responsabilité limitée*, Sàrl), in the form of a partnership limited by shares (*société en commandite par actions*, SCA), or as a common investment fund (*fonds commun de placement*, FCP).

Alternatively, in the case of an opportunistic real estate fund, an investment company in risk capital (SICAR) may be more suitable.

### ELIGIBLE INVESTORS

SICARs and SIFs are designed for qualified investors who require or accept a low level of protection. Investors must be “well-informed”, meaning institutional and professional investors and anyone else who invests at least €125,000 and confirms that he or she has the expertise and experience to make an informed judgement on the scheme.

Both vehicles can be listed on the Luxembourg stock exchange, providing they meet certain conditions.

### ASSET SELECTION

The challenges that a *shariah* compliant portfolio manager faces should not be different from those faced by any other portfolio manager. The manager sets a commercial policy and this drives the asset selection criteria. The commercial policy of a fund will depend on the type of assets it will hold, investor expectations, governance rules and the underlying asset transactions. *Shariah* compliant asset allocation can be achieved by putting in place a robust investment strategy and a careful selection process; residential buildings, production facilities and infrastructure facilities are typically acceptable.

Neither a SIF nor a SICAR is required to comply with detailed restrictions or leverage rules under Luxembourg law. Nevertheless, a SIF must adhere to the principle of risk diversification, meaning that the fund may not invest more than 30% of its assets in a single investment. In the case of a real estate SIF, this requirement can be met by investing in diversified geographical segments or types of assets. By contrast, a SICAR may concentrate its holdings in one project; the only requirement is to invest in risk capital.

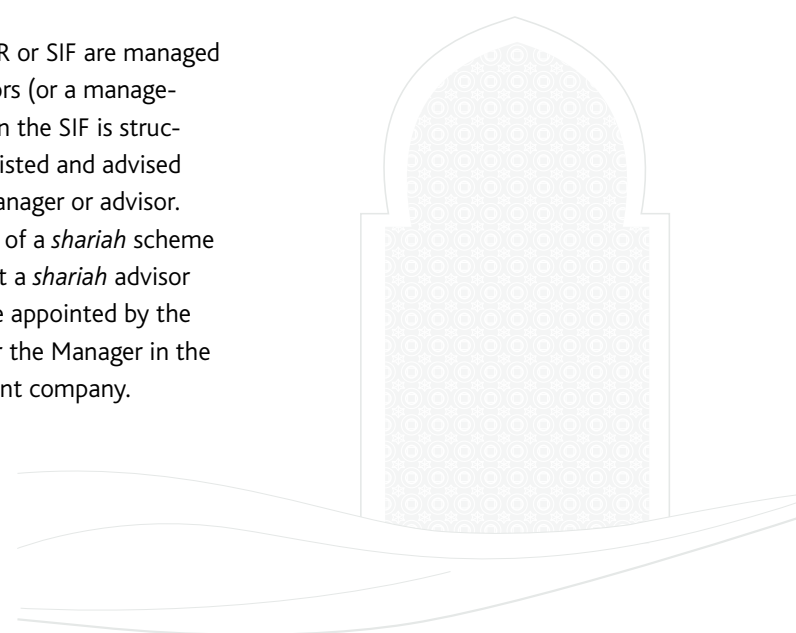
## FINANCING

The major problem with property investment is that liquidity is tied up for a longer duration and turnover of properties is often slow, since real estate investments are usually long term in nature. This challenge is more pronounced in *shariah* compliant real estate funds, where external debt financing is prohibited. However, the problem can be addressed by financing the acquisition of properties through alternative instruments, in particular by issuing *sukuk* related to a suitable Islamic contract such as *Sukuk al-murabahah* (sales based financing) or *Sukuk al-ijarah* (lease based financing).

Another solution is to open the investment to additional equity based investors using the musharakah model: partnership based financing. These Islamic financing structures can easily be replicated through existing Luxembourg structures. As mentioned earlier, local laws applicable to SIF and SICAR do not impose any leverage rules. Therefore, the asset managers have relative flexibility in structuring the transaction in such a way that it meets the requirement of *shariah* rules and principles while bringing tax and operational efficiency to the structure.

## GOVERNANCE

The assets of a SICAR or SIF are managed by a board of directors (or a management company, when the SIF is structured as an FCP), assisted and advised by an investment manager or advisor. The specific features of a *shariah* scheme normally require that a *shariah* advisor or a *shariah* board be appointed by the Board of Directors or the Manager in the case of a management company.



*"When, back in 2004, we had the ambition of launching one of the first shariah compliant pan-European real estate funds for our Middle Eastern clients, we could not find a better place than Luxembourg in terms of flexibility, expertise and regulations for the set-up and operational management of our innovative product. We intend to grow our Luxembourg platform with further product launches in the coming years."*

Rachid Ouaich, Director, Luxembourg operations,  
Wafra Capital Partners LP

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# PRIVATE EQUITY AND VENTURE CAPITAL INVESTMENT FUNDS

Under Luxembourg law, two regulated vehicles are mainly used to structure private equity investments.

The first is the investment company in risk capital (SICAR), which was introduced by the law of 15 June 2004. The SICAR is an investment vehicle specifically designed for private equity investment and venture capital. The second is the specialised investment fund (SIF), introduced by the Law of 13 February 2007, which provides an operationally flexible and fiscally efficient multipurpose fund vehicle that can be used for private equity.

The SICAR and the SIF are both regulated investment vehicles subject to approval and ongoing supervision by the CSSF. The SIF allows for an increased speed to market since it does not require prior authorisation by the CSSF as long as its constitutional documents are filed with the CSSF within a month of the establishment of the fund. The SIF may commence activity as soon as it is established. By contrast the SICAR is subject to prior approval by the CSSF.

The CSSF will verify compliance by the SICAR or SIF, and their management

bodies, with applicable Luxembourg laws and regulations. In addition, the CSSF will check the repute and professional expertise of the management bodies and the depository bank entrusted with custody of the assets. It is worth noting that a non-Luxembourg initiator and the investment manager of the SICAR or SIF are outside of the scope of CSSF supervision.

## STRUCTURING SHARIAH COMPLIANT PRIVATE EQUITY AND VENTURE CAPITAL FUNDS

From a legal structuring point of view, a *shariah* compliant SICAR or SIF is no different to any other SICAR or SIF. It can be structured as a corporate investment vehicle in the form of a private limited company (*société à responsabilité limitée*, Sàrl), a public limited company (*société anonyme*, SA), a partnership limited by shares (*société en commandite par actions*, SCA) or a limited partnership (*société en commandite simple*, SCS). A *shariah* compliant SIF may also be set up as a common investment fund (*fonds commun de placement*, FCP) and managed by a Luxembourg based regulated management company.

The legal forms which appear to be the most flexible for structuring private equity *shariah* compliant SICARs and SIFs, and that allow strong control over the management of the structure, are the FCP (only for the SIF) and the SCA (for both the SICAR and the SIF). The fact that the FCP is a contractual arrangement is a key advantage since it offers investors the flexibility to organise their relationships amongst each other on the basis of *shariah* principles such as the equal treatment of investors. The choice of the SCA will be preferred for implementing certain *shariah* compliant finance techniques such as the *mudharabah*, which can be compared to a limited partnership. In practice, the *wakala* or agency structure is also frequently used.

The initiator of a *shariah* compliant SICAR or SIF benefits from flexibility with regard to capitalisation, subscriptions and redemptions, distributions, asset valuation methods, the segregation of assets in separate compartments (sub-funds) and risk management, which enable the scheme to be adapted to *shariah* requirements (e.g., adaptation of the equalisation mechanism or the defaulting investor mechanisms). Segregation is achieved by creating a SIF or a SICAR

with multiple compartments, each compartment or sub-fund corresponding to a distinct part of its assets and liabilities. Compartments allow the combination of different investment policies within the same legal entity.

### ELIGIBLE INVESTORS

SICARs and SIFs are designed for qualified investors who require or accept a low level of protection. Investors must be “well-informed”, meaning institutional and professional investors and anyone else who invests at least €125,000 and confirms that he or she has the expertise and experience to make an informed judgement on the investment.

Both vehicles can be listed on the Luxembourg stock exchange, providing they meet certain conditions.

### ASSET SELECTION

The SICAR is not subject to the principle of risk spreading and may concentrate its resources on a single target investment. However, a SICAR must invest exclusively in assets qualifying as risk capital in accordance with CSSF circulars. Apart from such qualitative requirements, no further investment restriction applies to

the SICAR, which may thus invest in any *shariah* compliant asset that qualifies as risk capital.

A SIF is required to apply the principle of risk spreading, however there are no pre-set quantitative or qualitative restrictions. A SIF may invest in any asset class, thus also in *shariah* compliant type assets, provided that it does not invest more than 30% of its assets in securities of the same type issued by the same issuer and that an equivalent risk spreading policy with appropriate diversification applies to its underlying assets (as the case may be). These guidelines apply in principle to all SIFs; however, the CSSF may allow derogations on the basis of appropriate justification.

Leverage restrictions applicable to the SICAR and the SIF will need to be determined on a case by case basis. The payment or receipt of interest as well as debt financing are considered as usury. In practice, it is generally accepted that a *shariah* compliant SICAR or SIF may engage in leverage through the use of *shariah* compliant financing instruments. However, it may not receive or provide traditional loans or otherwise invest in traditional interest bearing instruments.

### GOVERNANCE

The assets of a SICAR or SIF are managed by a board of directors (or a management company, when the SIF is structured as an FCP), assisted and advised by an investment manager or advisor. The specific features of a *shariah* compliant investment vehicle normally require that a *shariah* advisor or a *shariah* board be appointed by the board of directors or the manager in the case of a management company.

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# MICROFINANCE INVESTMENT VEHICLES

Microfinance, which is the term used to describe banking or financial services given to poor or low-income clients, aims at poverty alleviation.

Microfinance helps micro-entrepreneurs to start up or improve their businesses by providing an important source of capital. By means of this financing, they can start generating more income for their household, improve their quality of life and create job opportunities within their communities. Even very modest levels of financing generate potentially huge business productivity gains.

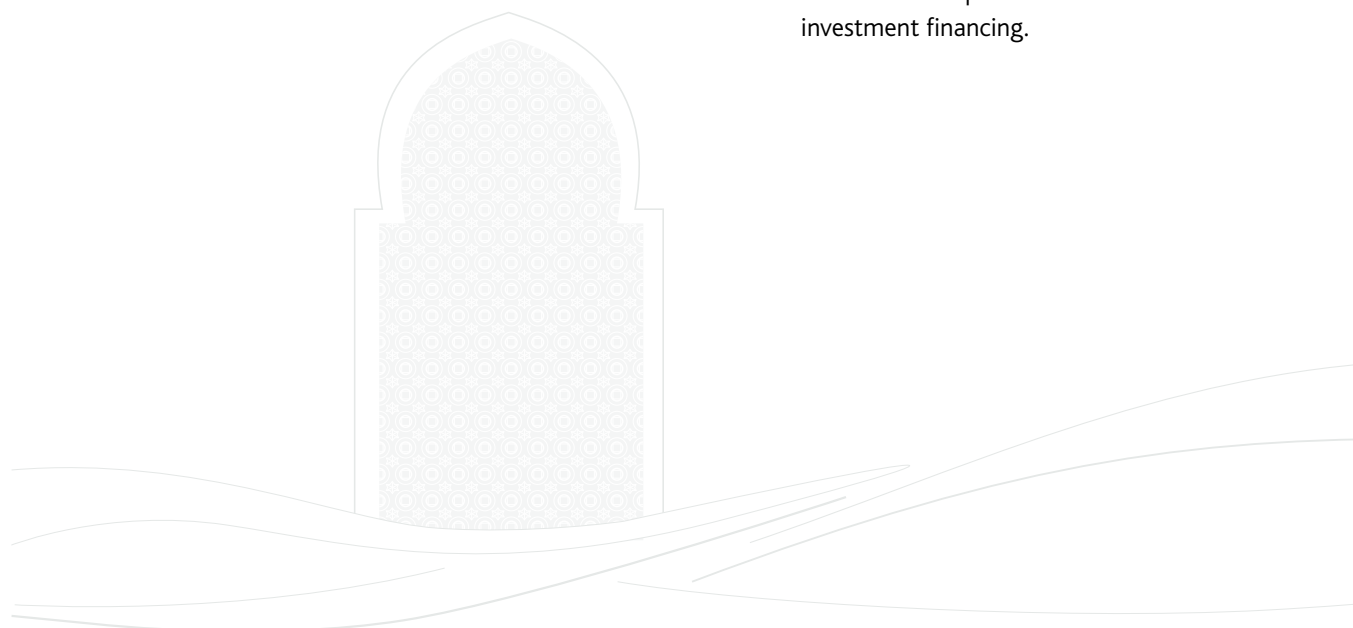
Microfinance is also a viable business. Micro-entrepreneurs have a repayment track record that beats that of the borrowers of most commercial banks.

The industry is currently expanding its reach by offering *shariah* compliant products to communities that cannot use conventional financial instruments. Microfinance relies on small, repeatable short-term financing instruments and group responsibility. These features find a natural home in the framework of Islamic finance where the concern for social equity is reflected in the principle of “no exploitation” and support for the needy. Furthermore, Islamic insurance or mutual guarantee products are very much in the spirit of mutual responsibility. Accordingly, microfinance organisations can use Islamic financing products to offer *shariah* compliant loans as well as other financial services to promote financial inclusion.

Microfinance institutions are increasingly turning to the capital markets to fund the growth of their business. Luxembourg has become a centre for the raising of such capital through regulated and unregulated investment structures.

Microfinance investment vehicles (MIVs) may be structured as UCIs, SICARs, SIFs or securitisation vehicles. The same structures may be used to build micro-finance funds that comply with *shariah* principles.

The microfinance industry enjoys the support of the Luxembourg Government. Luxembourg is the leading European domicile for regulated MIVs and meets the requirements to become a hub for *shariah* compliant microfinance investment financing.



# SECURITISATION VEHICLES

Luxembourg securitisation vehicles (SVs) are governed by the Law of 22 March 2004 on securitisation (the Securitisation Law), which provides a flexible and tax neutral regime. A number of *shariah* compliant SVs have been set up in Luxembourg, which has in the meantime gained wide recognition as an international structured finance hub.

A key reason for the popularity of the Securitisation Law is the wide range of eligible assets (other than interest-bearing assets), that can be securitised through a Luxembourg SV. Risks relating to the holding of assets, whether movable or immovable, tangible or intangible, as well as risks resulting from the obligations assumed by third parties or relating to all or part of the activities of third

parties, may be securitised. Securitisation transactions in Luxembourg over the past few years included diverse classes of assets, such as equity investments, real estate, commodities, receivables and whole businesses. Luxembourg SVs have been used in several *murabahah* or *ijarah* structures.

Luxembourg SVs are in principle unregulated entities, that is, they are not subject to authorisation and supervision by the CSSF. However, SVs issuing securities to the public on a continuous basis must be approved and supervised by the CSSF. The acquisition of securitised risks by a Luxembourg SV has to be financed through the issuance of securities, the value or remuneration of which is linked to such risks. Luxembourg SVs may be financed through the issuance of *sukuk*.

An SV can be formed as a corporation or as a co-ownership of assets (without legal personality), the so-called securitisation fund, managed by a Luxembourg-based management company. Securitisation funds constituting a co-ownership provide a closer connection to the securitised assets and easily ensure compliance with *shariah* principles.

In each of the above cases, the SV may be structured with multiple compartments, whereby each compartment (or sub-fund) represents a distinct part of the assets and liabilities of the SV. The SV may issue several classes of *sukuk*, each class being allocated to a specific compartment of the SV.

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# SUKUK

The Luxembourg Stock Exchange was the first European stock exchange to enter the *sukuk* market, in 2002. Since then it has admitted to trading 16 *sukuk*, including issuers from Malaysia, Saudi Arabia, the United Arab Emirates, Pakistan and other countries.

*Sukuk* issuers have a choice of two markets:

- the Regulated Market complies with European legislation and securities may be distributed throughout the EU. This market is regulated by the CSSF. On 26 January, 2011 the CSSF issued a communication concerning the content of prospectuses relating to *sukuk*;

- the Euro MTF market enables non-European issuers who do not require a European passport to obtain a listing in a recognised financial centre in Europe. Issues on the MTF market are authorised by the Luxembourg Stock Exchange itself.

The Luxembourg Stock Exchange offers a high quality of service, straightforward listing procedures and a competitive fee structure. All securities are registered with international clearing and settlement organisations and are traded on the Universal Trading Platform (UTP) of NYSE Euronext.

A variety of services related to data and document publication and dissemination throughout the life of the issue are also available.

## THE LUXEMBOURG STOCK EXCHANGE

Established in 1927, the Luxembourg Stock Exchange is the principal centre for the listing of international securities and handles listings in 54 different currencies.

The exchange currently lists some 45,000 securities, of which 30,000 bonds, issued by 3,500 issuers from 105 countries around the world. The second segment in order of importance is that of undertakings for collective investment, with more than 7,000 quoted securities. This is followed by Global Depositary Receipts (GDRs) issued by some 250 companies, principally from the developing markets such as India.

*“Luxembourg is dedicated to creating the perfect environment for shariah compliant issuance by providing a friendly and customer-focused regulatory environment and by delivering shariah specialised support and advisers and other service providers.”*

Johan Groothaert, CEO, Luxembourg Financial Group A.G.

# WEALTH MANAGEMENT

Private banking lies at the heart of Luxembourg's economic landscape and has played a key role in driving cross-border banking services. Today, Luxembourg is the largest private banking centre in the Eurozone.

By helping mobile, entrepreneurial clients and their families pursue their international projects, Luxembourg private bankers contribute to creating wealth and welfare for current and future generations.

Most Luxembourg private banking clients have international interests and relationship managers are commonly confronted with complex international family and business needs. Clients can be highly mobile, building up international networks, establishing a European footprint for their businesses, cultivating family ties in several countries, supporting philanthropic projects as social entrepreneurs, fulfilling their life-time passion or simply taking it easy after a life of hard work.

In consequence, wealth managers do not limit themselves to the management of investment portfolios but go well beyond this traditional core competence. They work to reconcile long term and short term financial objectives, have expertise in structuring international real estate portfolios, companies and family holdings, manage corporate finance transactions and insurance contracts, prepare family succession plans, set up philanthropic projects or socially responsible investment portfolios, support commitments in commodity trading and finance cross-border mortgages, private jets or yachts.

Luxembourg private bankers have the advantage of being multi-lingual, multi-cultural and familiar with international business, tax and regulatory environments. They also have access to a wealth of complementary financial services in Luxembourg, including asset management, insurance and reinsurance.

A number of banks have an established track record setting up tailor-made Islamic finance structures for private clients.

## INVESTMENT STRUCTURING

For wealth management, there are a series of holding vehicles that can be used to control a portfolio of *shariah* compliant business interests (see table 1 for comparison):

- The SOPARFI (*Société de participations financières*) is a company designed to optimise the management of holdings in a group of (typically, international) companies. It can take advantage of Luxembourg's extensive double tax treaty network and the EU "Parent-Subsidiary" Directive<sup>1</sup>. In addition to owning and controlling shares, a SOPARFI can perform activities related to the management of its holdings and any commercial activity connected with this. Dividends and capital gains realised in respect of qualifying subsidiaries may be exempt from corporation taxes in Luxembourg. Qualifying participations may further be exempt from net worth tax in Luxembourg.

<sup>1</sup> See glossary

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- The family wealth management company (*Société de gestion de patrimoine familial*, SPF) is an investment company that facilitates the administration and management of wealth on behalf of individuals. Its sole purpose is the acquisition, holding, management and disposal of financial assets, to the exclusion of any commercial activity. It is exempt from corporate income tax and is only subject to an annual subscription tax of 0.25% with a maximum of €125,000 p.a.
  - The specialised investment fund (see tables 1 and 2).

### INTELLECTUAL PROPERTY

Luxembourg has an attractive intellectual property regime. With the Law of 21 December 2007, the Government introduced an 80% tax exemption on income derived from intellectual property and on capital gains realised on the disposal of such property. The aim of this law is to encourage companies to invest in research and development. The advantages of the intellectual property regime can be combined with the benefits of the products named above.

### PHILANTHROPY

There is a growing trend for investors to support philanthropic causes, either during their lifetime or by means of a legacy. The legal environment in Luxembourg enables investors to realise these aims, either by setting up a foundation sheltered under the aegis of *Fondation de Luxembourg* or by setting up a traditional foundation for public benefit. The former enables the donor to benefit from professional support when setting up a philanthropic vehicle and to avoid the burden of administration.

The objectives of a sheltered foundation, which are agreed with the *Fondation de Luxembourg*, must be in the "general interest" as defined in Luxembourg law and avoid any conflict of interest. Within these parameters there is wide scope for the establishment of a foundation that complies with *shariah* rules.

### SOCIALLY RESPONSIBLE INVESTMENT

Socially responsible investment (SRI) is where investors seek to optimise the balance between financial and non-financial returns through investment selection. Investors seek to reward corporate practices that promote environmental sustainability and social stewardship. Luxembourg asset managers are experienced at incorporating these principles in their portfolio selection strategy.

## TAKAFUL

There are just under 100 insurance companies established in Luxembourg and regulated by the Luxembourg insurance supervisory authority, the *Commissariat aux assurances* (CAA). Total premiums in 2010 were around €25 billion, of which €22.4 billion were generated by cross-border life assurance sales.

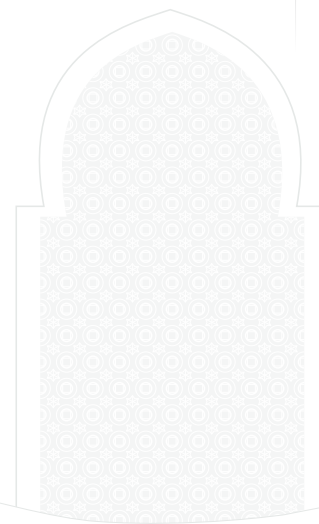
Many international players have operations in Luxembourg and most of them already offer *takaful* in targeted markets, such as Malaysia or the GCC countries. This is also the case with service providers, such as the big audit firms, legal firms and custodians, which already offer services to *takaful* clients in other parts of the world and could leverage this expertise in the Grand Duchy.

Luxembourg is a popular domicile for insurance companies because it offers political and social stability, financial expertise and a modern legislative environment. With 94% of the life business emanating from cross-border sales, *takaful* companies can leverage existing Luxembourg expertise to reach the Muslim customer base in Europe, estimated at 20 million people.

The bulk of life assurance policies in Luxembourg are unit-linked. Similarly, *takaful* contracts enable customers to combine insurance cover with return on *shariah* compliant investments.

*“Luxembourg is very well positioned to advance the Islamic insurance (takaful) agenda globally. The financial centre is a leading cross-border provider of insurance, offering the necessary infrastructure and service platform to welcome takaful operators or to enable conventional insurers to sell takaful to their customers.”*

Sohail Jaffer, Partner, International Business Development  
FWU International



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# TAX OVERVIEW

## INVESTMENTS THROUGH FULLY TAXABLE LUXEMBOURG COMPANIES

There are no specific tax provisions in the Luxembourg income tax law with respect to Islamic Finance. However, as far as direct taxes (e.g., private and corporate income tax, municipal business tax and net worth tax) are concerned, Luxembourg tax law is generally based on an economic approach that can to a great extent accommodate Islamic finance transactions with a limited need for specific additional legislation.

The Luxembourg tax administration recently published two guidelines on Islamic finance, covering in particular the Luxembourg direct and indirect tax treatment of *murabahah* and *sukuk* transactions. The full text of these two Circulars can be found on the website [www.islamicfinanceluxembourg.lu](http://www.islamicfinanceluxembourg.lu) under the heading Knowledge Centre/ Circulars.

A Luxembourg fully taxable company is generally subject to corporate taxation at a combined rate of 28.80%<sup>1</sup> and to an annual net worth tax, which is levied at a rate of 0.5% on the company's worldwide net asset value.

However, the Luxembourg tax system provides for a favourable environment for financing and holding activities:

- There is an extensive participation exemption regime, under which a Luxembourg fully taxable company may, under certain conditions, benefit from a 100% exemption on dividends and capital gains derived from qualifying Luxembourg and foreign subsidiaries.
- Dividends (including hidden dividends) paid by a Luxembourg company are generally subject to a 15% withholding tax, which may be exempt under the Luxembourg dividend participation exemption or be reduced under an applicable tax treaty.

- Interest expenses are generally deductible and are not subject to Luxembourg withholding tax.
- The distribution of liquidation proceeds by a Luxembourg company is not subject to withholding taxes in Luxembourg.
- Capital gains derived by non-resident shareholders on the disposal of shares in a Luxembourg company are not subject to Luxembourg tax unless the shareholder has held a substantial stake of at least 10% and the disposal (or the liquidation) takes place within six months of the acquisition of the stake<sup>2</sup>. Where the shareholder benefits from double tax treaty protection, Luxembourg will in general not be entitled to tax this gain.

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<sup>1</sup> for companies registered in Luxembourg City.

<sup>2</sup> A foreign resident taxpayer may also be subject to Luxembourg tax in case of an alienation after 6 months or more if he or she has been a Luxembourg resident taxpayer for more than 15 years and has become a non-Luxembourg taxpayer less than 5 years before the alienation takes place.

## TAX TREATMENT OF THE MURABAHAH CONTRACT

In accordance with the guidelines issued on 12 January 2010<sup>3</sup> by the Luxembourg direct tax administration (*Administration des Contributions directes*), the *murabahah* profit (i.e., the consideration for the deferred payment) realised by a Luxembourg company may, subject to certain conditions to be fulfilled at the level of the transaction documents, be taxed on a linear basis over the period of the *murabahah* transaction, regardless of the actual payment dates of the *murabahah* profit. This is important as the Luxembourg vehicle would otherwise immediately be taxed on the difference between the acquisition price of the *murabahah* asset and its marked-up sale price under the *murabahah* contract, while the actual payments would be made on a deferred basis.

Furthermore, the Luxembourg indirect tax administration (*Administration de l'Enregistrement et des Domaines*) clarified in its guidelines dated 17 June 2010<sup>4</sup> that a *murabahah* contract on a real estate asset located in Luxembourg may, subject to certain conditions, only be subject to a reduced rate of real estate transfer tax. Furthermore, the guidelines confirm that such real estate transfer taxes are not levied on the *murabahah* profit (i.e., the consideration for the deferred payment).

As far as VAT aspects are concerned, the guidelines of the indirect tax administration clarify that a Luxembourg vehicle entering into *murabahah* transactions should be considered as a VAT taxpayer.

## TAX TREATMENT OF THE SUKUK

The guidelines of the Luxembourg direct tax administration clarify that the tax treatment of *sukuk* is identical to the tax treatment of debt instruments in conventional finance (although the income is linked to the performance of the underlying asset) and the remuneration of *sukuk* is considered as interest payment. Accordingly, payments made under a *sukuk* transaction should generally be deductible, provided such expenses are incurred in the corporate interest of the enterprise of the *sukuk* issuer. Furthermore, no withholding tax should apply on payments to foreign holders of *sukuk* issued by a Luxembourg issuer except where such payments fall within the scope of Luxembourg laws implementing the EU Savings Directive.

In an international taxation context, payments under a *sukuk* transaction should qualify under the interest article of the tax treaties concluded in accordance with the OECD Model Convention.

<sup>3</sup> Circular LG-A Nr 55 of 12 January 2010.

<sup>4</sup> Circular Nr 749 of 17 June 2010.

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## TAXATION OF INVESTMENT FUNDS

Luxembourg is an attractive jurisdiction for setting up tax efficient fund structures, thanks to its favourable rules on the taxation of investment funds and to its extensive tax treaty network. In this respect, some of the tax treaties concluded by Luxembourg extend their benefits to Luxembourg based undertakings for collective investment (UCIs).

Specific beneficial tax regimes have been introduced in Luxembourg for the fund industry. UCIs and SIFs benefit from an exemption from Luxembourg corporate income tax, municipal business tax and net wealth tax. However, an annual subscription tax (*taxe d'abonnement*) ranging between 0.01% and 0.05%, assessed on the total net assets of the undertaking, applies depending on the form adopted. Under certain circumstances a full exemption may apply.

Payments made by a UCI or a SIF are in principle not subject to withholding tax in Luxembourg, unless such payments fall within the scope of Luxembourg laws implementing the EU Savings Directive.

Capital gains on the disposal or redemption of UCI and SIF shares held by a non-resident investor are generally not subject to income tax in Luxembourg.

## VENTURE CAPITAL: THE SICAR REGIME

A SICAR may exist in the form of a fiscally opaque limited corporation or in the form of a tax transparent limited partnership (SCS).

An opaque SICAR is subject to corporate income tax on its worldwide profits and should thus qualify as a tax resident for Luxembourg tax treaties. It benefits from an objective exemption on income generated by transferable securities invested in venture capital and private equity investments and capital gains on the disposal of such securities. Taking into account the hybrid nature of venture capital and private equity funding, the SICAR thus benefits from an extended exemption regime. Temporarily idle funds pending investment will equally benefit from the exemption, provided the funds are invested in venture capital and/or private equity projects within a 12 month period. All other income is fully subject to Luxembourg corporate income tax. A SICAR is exempt from the annual 0.5% net wealth tax.

## SECURITISATION VEHICLE

A securitisation vehicle (SV) organised as a corporation is fully subject to Luxembourg corporate tax. However, distributions made or committed to be made to its investors (such as dividends or other income) are considered as deductible for corporate tax purposes. The SV is exempt from the annual net worth tax. Payment of dividends or other income is not subject to withholding tax (except payments falling within the scope of the EU Savings Directive).

A securitisation fund is transparent for tax purposes and will not be subject to corporate or net worth tax in Luxembourg. Distribution of profits is not subject to Luxembourg withholding tax (except distributions falling within the scope of the EU Savings Directive). Due to the lack of legal personality of the securitisation fund, investors may, where applicable, claim treaty benefits from the jurisdictions in which the securitised assets are located.

## EXTENSIVE TREATY NETWORK

As at June 2011, Luxembourg had 62 double tax treaties in force. An additional 30 are in negotiation or signed. These include tax treaties with Malaysia, Singapore, Indonesia, the United Arab Emirates, Kuwait and Qatar.

## VAT

Neither the EU VAT Directive, nor Luxembourg VAT law provide specific rules regarding Islamic finance. General VAT principles are thus applicable.

Regarding investment funds and other vehicles such as SVs, Luxembourg VAT law provides a favourable and flexible environment. Indeed, most management services supplied to these funds and vehicles can benefit from VAT exemption. This includes both administrative services and portfolio advisory and management services. Services that do not qualify for VAT exemption nevertheless benefit from the lowest VAT rate applicable in the EU (12% or 15%).

A non regulated vehicle may also be used. In this case, the regime mentioned above will not be applicable. These vehicles might be faced with VAT obligations (VAT registration, VAT returns, issuing of invoices, sales listing). Performing economic activities, they will, in principle, be entitled to recover the VAT incurred on their costs under some conditions and depending on the precise nature of their activities (exempt activities usually do not allow the recovery of VAT incurred on costs). This does not, however, imply that the transactions will be liable to Luxembourg VAT. Should these transactions be performed abroad, they will, in most cases, be out of the territorial scope of Luxembourg. However, even if the transaction itself is outside the scope of Luxembourg VAT, it does not mean that VAT should be ignored. For example, a *murabahah* transaction on foreign real estate properties will not be in the scope of Luxembourg VAT but in the scope of VAT, if any, of the country where the property is located. Moreover, if this transaction is made by a Luxembourg company, this company may have some obligations in Luxembourg. An analysis of the underlying transactions on a case by case basis is necessary.

Without analysing all details of the transactions, the following could be said of *murabahah* and *sukuk*:

*Murabahah*: these transactions could probably be defined as transactions relating to goods and therefore liable to VAT (except those transactions related to securities) combined with a facility to defer payment. However, unallocated metals could be treated as a supply of services and not of goods. It is also worth noting the existence of a specific regime for investment gold.

*Sukuk*: in general, these transactions could be regarded as transactions related to securities and therefore VAT exempt; however, due to the diversity of underlying contracts, a case by case analysis is necessary.

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# GLOSSARY

Companies Law	Law of 10 August 1915 on commercial companies, as amended
CSSF	Commission de surveillance du secteur financier, the Luxembourg financial supervisory authority
FCP	Fonds commun de placement, an unincorporated co-ownership of assets
Parent Subsidiary Directive	Directive (2003/123/CE)
SA	Société anonyme (public limited company)
Sàrl	Société à responsabilité limitée (private limited company)
SCA	Société en commandite par actions (partnership limited by shares)
SCS	Société en commandite simple (limited partnership)
2004 Securitisation Law	The Law of 22 March 2004 on securitisation, as amended
SICAR	Société d'investissement en capital à risque (investment company in risk capital)
2004 SICAR Law	The Law of 15 June 2004 on the investment company in risk capital, as amended
SICAV	Société d'investissement à capital variable (investment company with variable capital)
SIF	Specialised investment fund
2007 SIF Law	The Law of 13 February 2007 on specialised investment funds, as amended
SOPARFI	Société de participations financiers
SPF	Société de gestion de patrimoine familial (family wealth management company)
2007 SPF Law	The Law of 11 May 2007 on the family wealth management company, as amended
UCI	Undertaking for collective investment
2010 UCI Law	Law of 17 December 2010 on undertakings for collective investment
UCITS	Undertaking for collective investment in transferable securities: these funds qualify for an EU passport
VAT	Value added tax
Well-informed investor	Any investor who has adhered in writing to the status of well-informed investor and complies with one of the following conditions: (i) he/she/it invests at least €125,000 in the special fund; (ii) or his/her/its expertise is confirmed by a Luxembourg professional of the financial sector or management company.

## Luxembourg for Finance

Agency for the development of the Financial Centre

Luxembourg for Finance is a public-private partnership between the Luxembourg Government and the Luxembourg Financial Industry Federation (PROFIL). It consolidates the efforts made by the public authorities and principal actors of the financial sector to ensure the development of an innovative and professional financial centre through a coherent and structured communications policy.

Thus Luxembourg for Finance works to enhance the external presentation of the financial centre, communicating the advantages of its products and services to a wider public and highlighting the numerous opportunities available to investors and clients, whether institutional or private, from around the world.

Luxembourg for Finance organises seminars in international financial centres and takes part in selected world class trade fairs and congresses.

The agency also develops its contacts with opinion leaders from international media and is the first port of call for foreign journalists.



[www.luxembourgforfinance.lu](http://www.luxembourgforfinance.lu)

Agency for the Development of the Financial Centre

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