

## Capital Markets - Luxembourg

### AIFM Directive implementation: another reason to choose Luxembourg

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The law of July 12 2013 (referred to as the 'Alternative Investment Fund Managers (AIFM) Law'), which implements the EU AIFM Directive (2011/61/EC) in Luxembourg, entered into force on July 15 2013.

Aside from a straightforward implementation of the directive, the AIFM Law mainly affects the following regulated alternative investment funds and amends their governing laws accordingly:

- specialised investment funds governed by the law of February 13 2007;
- undertakings for collective investment governed by Part 2 of the law of December 17 2010 relating to undertakings for collective investment; and
- investment companies in risk capital governed by the law of June 15 2004 relating to investment companies in risk capital.

Further enhancing Luxembourg's attractiveness for alternative investment funds, the AIFM Law offers a true alternative to the ever-popular English limited partnership with the amendment of the law of August 10 1915 on commercial companies to:

- introduce a 'special limited partnership' (*société en commandite spéciale*) regime; and
- modernise the rules applicable to common limited partnerships (*sociétés en commandite simple*) and partnerships limited by shares (*sociétés en commandite par actions*).

The AIFM Law also amends the law of April 5 1993 on banking through the creation of a new category of financial sector professional: the 'professional depositary of assets other than financial instruments'. This will allow professionals without a full banking licence to act as depositary to certain Luxembourg alternative investment funds.

The AIFM Law contains specific tax provisions introducing a favourable (but temporary) tax regime for carried interest, with the aim of reinforcing Luxembourg's position as a prime location for alternative investment funds and alternative investment fund managers. Furthermore, the AIFM Law provides for an exemption from corporate income tax, municipal business tax and net wealth tax for alternative investment funds established outside Luxembourg, but with an alternative investment fund manager in Luxembourg. Finally, the AIFM Law extends the value added tax exemption applicable to the management of regulated funds and securitisation vehicles to the management of alternative investment funds.

Alternative investment fund managers falling within the scope of the AIFM Law and carrying out activities before July 22 2013 are allowed a grace period and were required to submit an application for authorisation to the Luxembourg regulatory authority of the financial sector (CSSF) by July 22 2014.

The CSSF has published a document outlining frequently asked questions regarding the AIFM Law on its website.

For further information on this topic please contact [Josée Weydert](#), [Jean-Florent Richard](#) or [Christophe Joosen](#) at [NautaDutilh Avocats Luxembourg](#) by telephone (+352 26 12 29 1), fax (+352 26 68 43 31) or email ([josee.weydert@nautadutilh.com](mailto:josee.weydert@nautadutilh.com), [jean-florent.richard@nautadutilh.com](mailto:jean-florent.richard@nautadutilh.com) or [christophe.joosen@nautadutilh.com](mailto:christophe.joosen@nautadutilh.com) ).

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