***** Taxing SIFs and other prominent 2021 Luxembourg budget features *****

The Luxembourg government is ready to clamp down on generous tax advantages enjoyed by Luxembourg specialized investment funds (SIF) for years. As from January 1, 2021, SIFs investing in Luxembourg real estate assets will be charged a 20% levy on income generated by their real estate operations (such as rental income and capital gains). Although firing point-blank at SIFs this time, it is apparent that the government will apply the new levy to other Luxembourg entities investing in real estate assets (such as reserved alternative investment funds).

In addition, the government is set to stop another usage, this time, for Luxembourg private wealth management companies (sociétés de gestion de patrimoine familial ((SPF)). Starting from July 1, 2021 SPFs will no longer be allowed to hold real estate assets through underlying special purpose vehicles.

Finally, "share deals" in respect of real estate holding companies will become significantly more expensive, with the government three-folding current levy to the joy of the state cash vaults, less so to the investors' wallets.

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