



## LUXEMBOURG TO REFORM PRIVATE WEALTH MANAGEMENT COMPANIES (SPF)

On 17 July 2024, the Luxembourg Minister of Finance presented to Parliament a bill of law N°8414 (the "Bill") providing a certain number of measures aiming at strengthening the purchasing power of households and consolidating the competitiveness of businesses so as to emerge from the current polycrisis.

The Bill notably aims to modernize the Private Wealth Management Companies Law of 11 May 2007 ("SPF Law").

Private Wealth Management Companies (Société de Patrimoine Familiale or SPF), are normally exempt from corporate income tax (CIT), municipal business tax (MBT) and net wealth tax (NWT). However, they must pay an annual subscription tax of 0.25%, with a minimum of EUR 100 and a maximum of EUR 125,000.

This tax is calculated as of January 1 based on the paid-up capital, the share premium, and debts exceeding eight times the sum of the paid-up capital and share premium.

The Bill seeks to raise the minimum subscription tax from EUR 100 to EUR 1,000 and stipulates that the amount of debts should be assessed on the first day of the financial year. This change aims to clarify the tax base calculation for companies whose financial year does not align with the calendar year.

The Bill also proposes a clarification of the tax audit procedure for SPFs, including the possibility of imposing administrative fines up to EUR 250,000 for significant violations of the SPF Law, such as violation to the obligation for the acquisition, holding, management and realisation of financial assets to be its exclusive object to the exclusion of any commercial activity, prohibition on an SPF interfering in the management of companies in which it holds a participation or on holding real estate assets and violation of the eligibility criterion for investors in the SPF.

In the event of a less serious breach of the SPF Law, such as a violation to the obligation to mention 'family wealth management company,' abbreviated as 'SPF in the corporate name, to the obligation to declare and pay of the subscription tax and to the obligation to submit certificates to the tax administration), the tax administration may impose an administrative fine of up to half of the amount of the annual subscription tax due, or, if it is not possible to determine this amount, up to a maximum of EUR 10,000.

The final sanction being the withdrawal of the tax status of SPFs if the breaches have not been remedied within a certain timeframe. A company subject to such a decision may no longer claim the designation and status of "SPF" to third parties. If this obligation is breached, the tax may impose an administrative fine of up to EUR 5,000 for each month of non-compliance.



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