

How to set up

a société de participations financières (SOPARFI)

Definition

A *société de participations financières* (SOPARFI) is a special investment company that can take advantage of Luxembourg's network of double taxation treaties. As such, in addition to owning and controlling shares, a SOPARFI can perform activities related to the management of its holdings, as well as undertake any commercial activity that is directly or indirectly connected to the management of its holdings. Thus, SOPARFIs can, under certain circumstances, benefit from tax reduction of share-related income and undertake a commercial activity that is subject to income tax and VAT.

Authorisation requirement

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

Supervisory authority

A SOPARFI is not subject to any supervisory authority.

Legal and regulatory framework

SOPARFIs are subject to legal conditions which are laid down in the law of 21 June 2005, containing an amendment of article 1 of the modified law of 31 July 1929 relating to the tax system of SOPARFIs.

Legal form

A SOPARFI can be a public limited company (SA – *société anonyme*), a limited liability company (Sàrl – *société à responsabilité limitée*), or a partnership limited by shares (SCA – *société en commandite par actions*). In the case of a public limited 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, only one director is authorised.

Capital base

The minimum capital varies depending on the legal form adopted:

- ▶ public limited company: 30.986,69 euros;
- ▶ limited liability company: 12.394,68 euros.

Central administration

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

Tax system

If the SOPARFI undertakes on a commercial activity it is subject to the normal rate of corporate income tax and municipal business tax. However, in the case of other types of income, a SOPARFI can, under certain conditions, benefit from tax exemption. Furthermore, it profits from a large network of tax conventions and the European Parent-Subsidiary Directive.

Useful information sources

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.

www.lff.lu

Luxembourg for Finance

www.barreau.lu

Ordre des Avocats du Barreau de Luxembourg

www.ire.lu

Instituts des Réviseurs d'Entreprises