



ELTIF

EUROPEAN LONG TERM INVESTMENT FUND

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DEFINITION

The ELTIF can be succinctly defined as an alternative investment fund which mainly carries on fund-raising activities in relatively illiquid assets. This type of structures is likely to get the ELTIF licence.

LEGAL BASIS

ELTIFS are governed by two laws.

The Regulation (EU) 2015/760 of the European parliament and of the Council of 29 april 2015 on ELTIFS. It provides rules for the authorization, investment policies and the functioning of Alternative Investment Funds (AIF) and sub-funds in the EU traded as ELTIFS.

The law of 12 juillet 2013 (transposing directive 2011/61/EU on Alternative Investment Fund Managers into Luxembourg Law). It provides rules for the authorization, normal functioning and transparency of Alternative Investment Funds established in Luxembourg.

OBJECTIVE

ELTIFS aim to boost European Long-term investments in the real economy by financing projects such as :

- Transport infrastructure
- Social infrastructure (housing or hospitals)
- Sustainable energy generation or distribution
- Roll-out of new technologies and systems that increase energy efficiency
- Further growth of SMEs

The financial crisis has shown that complementing bank financing with a wider variety of financing sources that better mobilize capital markets could help tackle financing gaps. ELTIFS can play a crucial role in this respect, and can also mobilize capital by attracting third-country investors.

LEGAL FORM

The ELTIF shall, depending on the case, take the form of a Luxembourg fund (SIF, SICAR) or a corporation governed by the LSC of 1915 (SLP, SàRL ...).

CAPITAL

Internally managed ELTIFs must have a minimum capital of EUR 300,000. Internally managed ELTIFs necessarily take the form of a company.

Externally managed company must have EUR 125, 000 minimum capital and be AIMF compliant. Externally managed ELTIFS are under the form of a fund.

ADMINISTRATION

Managers must be qualified and of good repute. Furthermore, they must be approved by the CSSF (local financial market authorities). The central administrative agent must be a professional of the financial sector and thus hold a special licence pursuant to the 1993 Banking Law.

An ELTIF has its registered office and central administration in Luxembourg, which is usually provided by specialized domiciliation agents.

The ELTIF must own a depository bank account in a bank which either has its registered office in Luxembourg or is established in Luxembourg, if its registered office is in another EU Member State.

FISCAL TREATMENT

The ELTIF enjoys a very favorable tax regime. Indeed, it is exempt from income tax, municipal business tax, VAT (regarding services provided by the management company) and withholding tax on dividends it distributes.

Finally, the applicability of double tax treaties is on the one hand determined by the form taken by the fund and on the other hand by the decision taken by the Luxembourg fiscal authorities.