

The Deloitte logo, consisting of the word "Deloitte" in a white, sans-serif font with a green dot at the end of the word. The background is a photograph of a grand, multi-story stone building with a complex roofline featuring several spires and dormers, set against a clear blue sky.

# Deloitte.

## Luxembourg: Russia's Gateway to Europe

*Your safe and exclusive  
financial center of excellence*

Audit • Tax • Consulting • Financial Advisory

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# Executive summary

Luxembourg is an excellent location for Russian companies to do business and access markets in Europe and worldwide.

The country combines a highly developed infrastructure with sophisticated products and a flexible but secure environment, to optimise the financial and tax situation of our Russian clients.

Deloitte is uniquely positioned to assist Russian companies.

We have a Russian desk in Luxembourg, providing in-depth knowledge of European and Russian markets. Our multidisciplinary across industries and professions means that we can offer a comprehensive service.

The team of dedicated professionals from audit, tax and advisory services are focused on providing high quality professional services to Russian clients, helping European and Russian businesses to get closer.

Vafa Moayed  
Russian Desk Leader



# Part 1

## Luxembourg, a dynamic financial and business centre in the heart of Europe

Luxembourg is one of the founding members of the European Union, located between France, Belgium and Germany. This country hosts some of the major European institutions such as the Court of Justice of the European Communities, the European Investment Bank and the European Court of Auditors.

Luxembourg is a member of the Organisation for Economic Cooperation and Development (OECD) and of the Financial Action Task Force on Money Laundering (FATF).

Luxembourg is a prime location for doing business thanks to:

- An attractive tax regime for foreign holding and financing activities
- A highly stable political, economic and social environment
- A multicultural population (450,000 inhabitants) of whom more than 40% are foreigners
- An excellent communications and transportation infrastructure; it is only a 3-hour flight away from Moscow and a short drive away from Paris, Frankfurt and Brussels

The Grand Duchy, which has three national languages (Luxembourgish, German and French), is one of the world's leading financial centers, with 152 banks and 4.500 investment funds from more than 20 countries, focusing on private banking and asset management. With an extensive multilingual business community, investors and partners from around the world are in most cases served in their native language.



# Financial competence centre

We understand that the main concerns for those contemplating cross-border business are competence, confidentiality, a predictable tax regime and stability of legislation.

## Competence and infrastructure

Luxembourg is one of the world's leading financial centres and a large part of the economy is focused on the financial services industry, which is the biggest employer in Luxembourg. The financial services industry accounts for about 45% of Luxembourg's GDP<sup>1</sup>.

## Financial services professionals

Banks, insurance companies, re-insurance companies and other financial services professions such as:

- Investment funds and all related professions
- Investment companies
- Pension funds
- Private portfolio managers
- Financial advisers
- Brokers and market makers

conduct complementary activities under the supervision of the CSSF (Commission de Surveillance du Secteur Financier) and the CAA (Commissariat aux Assurances). Together, they allow Luxembourg clients to have competitive services with a very high level of security.

Current Russian legislation allows Russian credit institutions to invest in the capital of Luxembourg financial services professionals, since Luxembourg is a member of the OECD and the FATF. When such an investment is approved by the CSSF, it represents an interesting opportunity for credit institutions to expand their activities in Europe and worldwide.

## Double tax treaty network

Luxembourg has signed double taxation treaties with the following countries, which provide Russian businesses with attractive investment structuring opportunities:

Austria	Argentina
Azerbaijan	Belgium
Brazil	Bulgaria
Canada	China
Czech Republic	Denmark
Finland	France
Germany	Greece
Hong Kong	Hungary
Iceland	Indonesia
Ireland	Israel
Italy	Japan
Latvia	Lithuania
Malaysia	Malta
Mauritius	Mexico
Moldavia	Mongolia
Morocco	Netherlands
Norway	Poland
Portugal	Republic of South Korea
Romania	Russia
Singapore	Slovakia
Slovenia	South Africa
Spain	Sweden
Switzerland	Thailand
Trinidad and Tobago	Tunisia
Turkey	Ukraine*
United Kingdom	United States
United Arab Emirates	Uzbekistan
Vietnam	

\* Pending treaties that have not yet entered into force.

<sup>1</sup> Source : [www.statec.lu](http://www.statec.lu)

### Private banking in Luxembourg

Private banks in Luxembourg offer a full range of banking products and services accompanied by an excellent reputation and good performance history. Private banking clients enjoy access to all instruments, markets and stock exchanges.

The Luxembourg Stock Exchange is a central component of the financial centre with more than 37,100 registered securities issued by 4,000 companies from 100 countries, including Russia.

Luxembourg offers many opportunities for high net worth individuals and presents a welcoming and undiscriminating attitude to bona fide customers.

The combination of these features, i.e. membership of the EU, banking secrecy laws, tax planning opportunities for crossborder transactions, as well as the excellence of a world-class financial centre, make Luxembourg more than just an alternative to other off-shore jurisdictions currently available to Russian investors.

## High-performance products

In a stable political environment, the financial services industry has developed highly competitive investment vehicles and innovative financial products to meet the needs of sophisticated international investors.

### SOPARFI's

SOPARFI's ("Sociétés de participations financières") attributes include:

- Holding companies that can also carry out financing and trading activities
- Dividend income and capital gains that are exempt from tax under certain conditions
- The ability to take advantage of the European Union Directives and a widespread network of double tax treaties
- A tax credit for foreign taxes withheld may be obtained under certain conditions

### Investment funds

There were 2,501 investment funds and sub-funds registered in Luxembourg in September 2007. Luxembourg is the second largest financial centre in the world in terms of assets under management.

Luxembourg legislation is a complete framework for investment funds and is in full compliance with the requirements of the European Directives on Undertakings for Collective Investment in Transferable Securities (UCITS). This means:

- Shares/units may qualify for the European Passport and be distributed across the EU and in the Russian Federation
- A focus on investor protection; strict supervisory rules and regulations inspire investor's confidence in Luxembourg funds
- An attractive tax regime: no corporate income tax on revenue (except for SICAR, fully taxable entity but exemption of income from transferable securities), no net wealth tax, no withholding tax on payment of dividends to investor (unless EU saving directive applies), fixed capital duty (max. €1,250) only payable at incorporation, no capital gain taxation in Luxembourg for non-resident investors, VAT exemption on management services.

The six major forms of investment fund in Luxembourg are:

- **Fonds Commun de Placement – FCP**  
This type of UCI is similar to the unit trust in the UK and the mutual fund in the USA. It is a co-proprietorship whose owners are only liable up to the amount they have contributed. This co-proprietorship has no legal personality and is transparent from a tax point of view. A management company domiciled in Luxembourg is in charge of the structure.
- **Open-ended investment company – SICAV**  
A SICAV is a limited company with a variable capital, which is always equal to its net assets. No formalities are required for increases and decreases in capital.  
Limited access to Tax Treaties.
- **Closed-ended investment company – SICAF**  
A SICAF is a limited liability company with a fixed capital. Formalities are required for increases and decreases in capital.  
Limited access to Tax Treaties.
- **Risk capital investment company – SICAR**  
A SICAR is a new vehicle launched in 2004 as an alternative to the “classic” limited partnership structure for private equity and venture capital funds. The key advantages of the SICAR are its legal and operational flexibility, as well as its tax neutrality designed to suit different investor needs. SICAR have full access to the Luxembourg treaty network.
- **Specialised Investment Fund - SIF**  
Due to the strong growth in investment schemes, Luxembourg introduced in 2007 a new vehicle for professional and well-informed investors which is more flexible than the common UCI or SICAV. The SIF can invest in any type of securities, hedge funds, real estate, funds, shares, or buyout etc.
- **Private asset management company - SPF**  
The SPF is a holding company with a privileged tax regime whose sole purpose is the passive holding of shares or other investments. Control is strictly limited to the conditions of the SPF regime. The SPF can not take advantage of most of the double tax treaties signed by Luxembourg.

### **Issue of Eurobonds in Luxembourg**

A Russian company or group can set up a Luxembourg Company to issue Eurobonds, which may be listed on the Luxembourg Stock Exchange. The Luxembourg company may thereafter lend the proceeds on to other companies in the group.

Advantages include:

- The registration process for Eurobonds issued in Luxembourg is straightforward and has already been used by Russian groups
- Predictable taxable basis
- Interest expenses are generally deductible in the borrower's country
- No withholding tax on interest payments in Luxembourg regardless of the country of residence of the recipient (excluding EU residents)

### **Securitisation Law**

The Securitisation Law of March 2004 has been designed to ensure a high level of investor's protection (through the creation of segregated compartments), and ensuring a tax neutral treatment of securitisation in Luxembourg.

### **A full service offering**

From deal conception, through pricing, to post closing, our securitisation professionals can help you. Here are some of the ways we can assist you to think ahead and prepare for your securitisation transactions:

- accounting and tax advice
- feasibility studies
- debt advisory services
- project management
- data base creation and management
- due diligence
- cash flow modelling
- collateral stratification analysis
- document review
- surveillance
- technology support
- SPV and originator statutory audits
- investor and trustee compliance
- tax compliance

We appreciate that securitisation can be a complex and intricate process, which affects all parts of your business. Our methodology is not a rigid process, but a service that responds directly to the critical drivers of your deal. We can help you to shape the most appropriate, effective solutions for your securitisation challenges.

Understanding our clients' needs and responding to them quickly with consistent, expert advice and imaginative ideas is the cornerstone of our philosophy.

For more information about how we can help your securitisation business, please contact any one of our team listed on the back of this brochure.

# Regulated, secure and flexible environment

## Proximity of authorities and regulators

The easy access to public authorities, their limited interference in the economy, the absence of discrimination against foreigners, as well as the no state control of currency exchange and international capital transactions, are all factors that make Luxembourg an attractive jurisdiction.

Luxembourg is a member of the Financial Action Task Force and its anti-money laundering regulations apply not only to banks, but to all other financial services professionals. The resulting fundamental duties incumbent on these professionals are the obligation to know one's customer from the very outset of the business relationship, the obligation to monitor that customer throughout that relationship, the obligation to report any operations suspected of being linked to money laundering and the obligation to provide staff with training in the fight against money laundering.

## Banking secrecy

Banks and other financial services professionals are bound to maintain strict client confidentiality. These obligations are described both in the Criminal Code and the Banking Regulations.

## Supervision

Luxembourg's financial sector is carefully regulated in order to protect investor's funds – a fact that has earned Luxembourg a highly reputable name in the financial world.

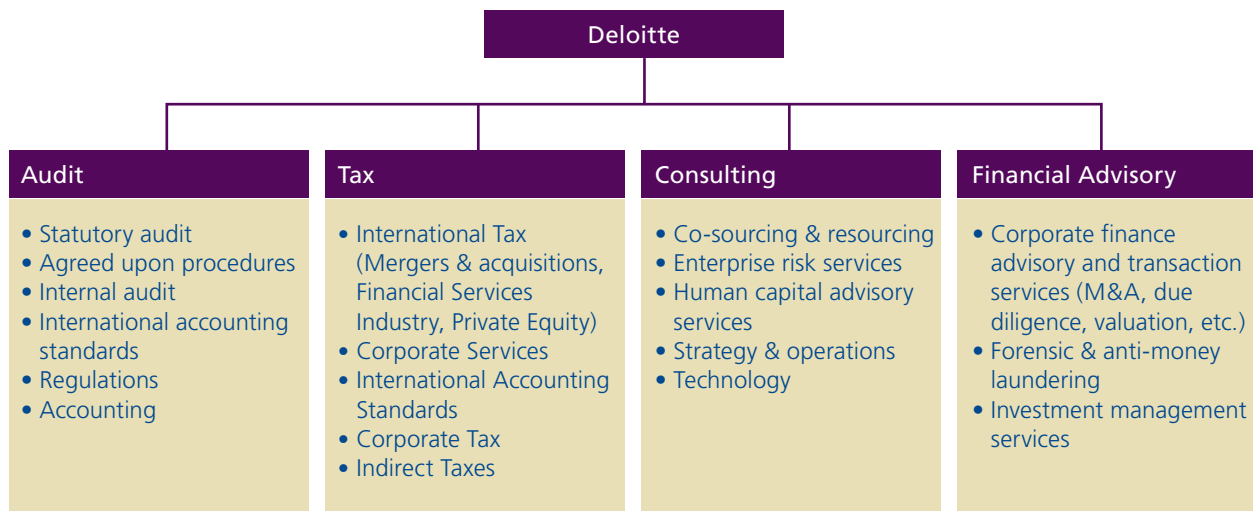
- **Commission de Surveillance du Secteur Financier (CSSF)**  
The CSSF is the supervisory body for the banking institutions, other financial services professionals, UCIs, pension funds, stock exchanges, and the payment and clearing systems and their operators
- **Deposit Guarantee Association, Luxembourg (AGDL)**  
The AGDL was set up on the basis of two European Directives. Its purpose is to provide a mutual guarantee system covering deposits in cash and claims resulting from investment transactions as defined by the law and by its statutes in favour of customers of financial institutions and investment firms



# Part 2

## Doing business with Deloitte in Luxembourg

With around 1000 employees, Deloitte is one of Luxembourg's largest and strongest professional services firms. We focus on clients operating in various industries and take great pride in our ability to provide quality multidisciplinary services in the fields of audit, tax, consulting and financial advisory.



# A multidisciplinary team

## **The key to your success**

In an increasingly complex business environment, an all-embracing approach is required to meet the challenges of growth, globalisation, profitability, constant regulatory change and technological progress.

To meet our clients' needs, we build tailored service teams with professionals experienced in your sector. A substantial number of our staff have occupied senior positions in the financial services industry (banking, funds, insurance) and local businesses (services, industry, TMT).

Deloitte people are familiar with your business sector and the key issues it faces; they are masters of the technical aspects of our professions. This means they can and will meet your expectations and deliver a premium quality service.

## **Investment management services**

With Luxembourg's highly complex-regulatory framework, it is not surprising that large numbers of international clients call on our skills in the area of fund structuring.

Our services include the setting-up of investment funds, regulatory and compliance consulting, pan-European taxation, pricing and accounting issues and fund distribution. The assistance provided by our Investment Management Services team is based not only on intimate knowledge of the Luxembourg regulations, but also on their in-depth experience of the core functions of the investment fund industry, such as accounting, custody, transfer agency and pan-European cross-border distribution. This service is a planning and structuring capability on an international level.

## **Corporate implementation & company administration services**

With respect to the engineering of tax-efficient corporate structures, our specialists evaluate client opportunities and offer strategic solutions related to the implementation or enhancement of corporate structures. Our specialists assist you in selecting the appropriate type of entity, draft all documentation prior to the incorporation, and coordinate the necessary formalities with banks and notaries.

## **Our services to Russian clients**

The high level of co-operation our Russian Desk in Luxembourg enjoys from our field of experts within the Deloitte offices in Russia, enables our clients to consistently benefit from a seamless service on Russia related matters. The Russian Desk team combines skillful professionals with solid knowledge of international business, European and Russian legislation and with strong experience in providing services to demanding Russian clients. A team of dedicated professionals from audit, tax, consulting and corporate services is focused on providing high standard professional services to Russian clients.

# Who we are

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 150,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

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