CHEVALIER & SCIALES
LUXEMBOURG LAW FIRM

Luxembourg reserved alternative investment fund (RAIF) 2026

CS-AVOCATS.LU

INVESTMENT FUNDS

MONTEREY INSIGHTS: LUXEMBOURG FUND REPORT 2024

Chevalier & Sciales has been ranked in the top quintile for client retention among Luxembourg fund service providers. The latest affinity rankings from Monterey Insights and Paperjam shows that our firm has been recognized in the 1st quintile for client retention among Luxembourg fund service providers between 31 December 2019 and 31 December 2023.

'The team has an impressive track record in advising on the structuring and launch of various investment funds, including alternative investment funds, UCITS, and specialized investment funds. They have successfully assisted clients with complex fund formations, regulatory compliance, and operational matters across different asset classes.'

LITIGATION, ARBITRATION & DISPUTE RESOLUTION

'Chevalier & Sciales commercial litigation practice has resolved high -stakes disputes, including including a precedent-setting €500 million enforcement case under the New York Convention and complex shareholder conflicts in investment funds. The team secured landmark rulings at Luxembourg's Court of Appeal and Supreme Court, overturning decisions that violated procedural rights under the European Convention on Human Rights.'

'Headed by Rémi Chevalier, the arbitration department recently handled the defense of claimants in an investment arbitration regarding the application of the $1 billion bilateral investment treaty between Switzerland and the Czech Republic. Chevalier has been appointed counsel before the European Courts of Human Rights.'

OTHER 2025 RANKINGS:

Private equity

Corporate tax

International arbitration

Restructuring & Insolvency

Mergers & Acquisitions

www.cs-avocats.lu

CONTENT TABLE

ABOUT THIS PUBLICATION

This publication provides a comprehensive and up-to-date overview of the Luxembourg reserved alternative investment fund (RAIF) regime, covering its legal, regulatory, structuring and tax aspects, and taking into account recent legislative and regulatory developments relevant to RAIFs, and the EU cross-border distribution framework.

It is intended as a practical guide for asset managers, fund sponsors and institutional investors considering the establishment of a RAIF in Luxembourg. This publication is provided for general information purposes only and does not constitute any legal, tax, accounting or other professional advice under Luxembourg law or practice. No reliance should be placed on the information contained herein. Specific advice should be sought in relation to particular circumstances.

Directive (EU) 2024/927 amending Directive 2011/61/EU ("AIFMD II") was adopted on 13 March 2024 and entered into force on 15 April 2024. Member States were required to transpose it by 16 April 2026 and to apply the transposing measures from 16 April 2026, with certain reporting-related measures applying from 16 April 2027. In Luxembourg, Bill of Law no. 8628 transposing AIFMD II was adopted by the Luxembourg Parliament and published in the Official Journal of the Grand Duchy of Luxembourg on 9 March 2026. This publication reflects Luxembourg law and regulatory practice as in force as at the date hereof (DATE).

KEY FEATURES

Fast and efficient time to market
The Luxembourg RAIF is not subject to product level supervision by the CSSF, enabling sponsors to launch funds more efficiently, while operating fully within the AIFMD framework.

Full authorised AIFM required
Each RAIF must appoint a fully authorised alternative investment fund manager (AIFM).

Designed for well-informed investors
Access is reserved for well-informed investors, being institutional investors, professional investors, or other investors meeting the applicable qualification criteria (including, where relevant, a minimum investment of EUR 100,000 or an appropriate professional assessment).

Broad structuring versatility
The RAIF can adopt any legal form available under Luxembourg law, may be established as an umbrella fund with multiple compartments and share classes, and can accommodate a wide range of alternative investment strategies, subject to applicable risk diversification rules.

Eligibility for the pan-European marketing passport for professional investors under the AIFMD

INTRODUCTION TO THE LUXEMBOURG RAIF REGIME

The Luxembourg Reserved Alternative Investment Fund (fonds d'investissement alternatif réservé – "RAIF" or "FIAR") is a dedicated alternative investment fund regime introduced by the law of 23 July 2016, as amended, most recently by the law of 21 July 2023 (the "**RAIF Law**"). The RAIF is designed for well-informed investors and was conceived to offer a fast and flexible onshore alternative to regulated Luxembourg fund vehicles, while operating fully within the European alternative investment fund regulatory framework.

Unlike specialised investment funds (SIFs) or risk capital investment companies (SICARs), a RAIF is not subject to direct product-level supervision by the Luxembourg financial regulator, the Commission de Surveillance du Secteur Financier (CSSF). Instead, regulatory oversight is exercised indirectly through the RAIF's authorised alternative investment fund manager (AIFM). As a result, the RAIF offers a significantly faster time-to-market and enhanced operational flexibility, while remaining fully subject to the Alternative Investment Fund Managers Directive (AIFMD) through its authorised AIFM.

The RAIF regime has seen strong and sustained market adoption. According to the Luxembourg Trade and Companies Register, approximately 3,241 RAIFs were registered as at 15 January 2026, reflecting the regime's widespread use among alternative asset managers.

A RAIF may pursue any investment strategy and invest in any type of asset, subject to the principle of risk spreading, unless it invests exclusively in risk capital.. RAIFs following a SIF-type investment policy are expected to comply with the same risk diversification principles applicable to specialised investment funds, as set out in CSSF Circular 25/901. RAIFs investing exclusively in risk capital may benefit from an exemption from diversification requirements and are instead subject to the SICAR regime, as reflected in the same circular.
A RAIF may be established in contractual form (fonds commun de placement – FCP) or as an open-ended or closed-ended corporate fund (SICAV or SICAF), and may adopt any corporate form available under Luxembourg law, including partnerships such as the société en commandite simple (SCS) or société en commandite spéciale (SCSp). RAIFs may be structured as umbrella funds with multiple compartments and share classes, allowing for segregated sub-fund structures without direct product-level regulation.
Access to a RAIF is reserved to well-informed investors, being institutional investors, professional investors or other investors meeting the applicable qualification criteria. There is no minimum investment requirement for institutional or professional investors, while a minimum investment of EUR 100,000 generally applies to other investors, unless they have been assessed by a credit institution, an investment firm, a UCITS management company or an authorised AIFM as having

the appropriate expertise, experience and knowledge to adequately appraise the investment.

Each RAIF must be managed by a fully authorised alternative investment fund manager within the meaning of the AIFMD. Where the AIFM is established in a Member State of the European Economic Area, the RAIF may benefit from the pan-European marketing passport, allowing the marketing of its units or shares to professional investors across the European Union.

Recent EU cross-border distribution reforms have further enhanced this framework by harmonising rules on pre-marketing, marketing communications and the launch and discontinuation of marketing activities across the EU.

From a tax perspective, most RAIFs benefit from the same tax treatment as SIFs, being subject to an annual subscription tax (taxe d'abonnement) at a rate of 0.01% of their net assets, while remaining exempt from Luxembourg corporate income tax and withholding tax on distributions. RAIFs investing exclusively in risk capital may, subject to an election in their constitutive documents, opt for the tax regime applicable to SICARs.

WHAT CHANGES DOES THE RAIF LEGISLATION BRING TO LUXEMBOURG FUND STRUCTURING OPTIONS?

In order to maintain the competitiveness of Luxembourg as a fund domicile and as a centre for fund servicing and distribution, the legislation of July 12, 2013 transposing the AIFMD into national law also incorporated measures aimed at modernising the country's limited partnership regime. These measures included changes to the rules applicable to common limited partnerships and the introduction of a new type of vehicle without legal personality, the special limited partnership.

Both forms of limited partnership may be used for structuring regulated fund vehicles, such as SIFs and SICARs, as well as unregulated investment vehicles. Although common and special limited partnerships are not subject to direct product regulation, they are nevertheless subject to indirect supervision where they qualify as alternative investment funds and are therefore required to appoint an authorised alternative investment fund manager.

While unregulated limited partnerships have proved popular with fund promoters and investors, particularly for closed-ended vehicles investing in illiquid assets such as real estate and private equity, they are not suitable for all circumstances, in particular where investments in transferable securities or other liquid assets are envisaged. Moreover, although SCSs and SCSp's are tax-transparent, there are situations in which a tax-opaque vehicle may be preferred, notably in order to benefit from Luxembourg's network of double taxation treaties. In addition, unregulated limited partnerships cannot be structured as umbrella funds and are therefore unable to create segregated portfolios within legally distinct sub-funds.

The introduction of the RAIF regime was therefore intended to ensure the broadest possible range of structuring options for promoters, managers and investors, under a regime broadly similar to that applicable to SIFs, but without subjecting the fund itself to direct supervision by the CSSF. In doing so, the RAIF provides Luxembourg alternative investment funds with the possibility to avoid a double layer of supervisory requirements while retaining access to the AIFMD framework. AIFs subject to supervision at the level of their authorised AIFM thus have the choice between being established as regulated products (Part II funds, SIFs or SICARs) or as unregulated products (unregulated SCSs and SCSp's or

HOW TO SET UP A LUXEMBOURG RAIF?

Following the entry into force of the law of 21 July 2023, the formation formalities applicable to RAIFs have been streamlined. Where a RAIF is established by way of articles of association, there is no longer any requirement for a notary to formally acknowledge that the RAIF has been established and that an alternative investment fund manager ("AIFM") has been appointed. The requirement for a notary to acknowledge the establishment of the RAIF and the appointment of its AIFM within five business days from its creation is maintained only for RAIFs formed under private deed, namely those established as an FCP, an SCS or an SCSp. RAIFs must be registered on the official list maintained by the Luxembourg Register of Commerce and Companies and made available on its website.
The constitutional documents of a RAIF depend on whether it is established in corporate or contractual form. They consist of articles of incorporation where the RAIF is incorporated as a public limited company (société anonyme or "SA"), a partnership limited by shares (société en commandite par actions or "SCA") or a private limited liability company (société à responsabilité limitée or "Sàrl"); management regulations where the RAIF is established as a fonds commun de placement ("FCP"); or a limited partnership agreement where it is established as a common or special limited partnership (SCS or SCSp). Articles of incorporation must be executed in the form of a notarial deed, whereas management regulations and limited partnership agreements

may be entered into under private deed.

Promoters of existing Luxembourg entities may also wish to convert such entities into RAIFs. In the case of regulated entities, this may be done in order to facilitate the rapid launching of new compartments, while unregulated limited partnerships may be converted in order to benefit from the possibility of adopting an umbrella structure.

An existing specialised investment fund (SIF), Part II fund or risk capital investment company (SICAR) may be converted into a RAIF in accordance with the applicable legislation and the provisions governing its constitutional documents, subject, where required, to the prior approval of the CSSF of the relevant amendments and to corresponding changes to the fund's prospectus or issue document, unless the fund concerned is a SIF or SICAR that is not open to new investors. The conversion of an existing unregulated limited partnership requires an amendment to its limited partnership agreement, in accordance with the applicable contractual provisions.

The conversion of a non-Luxembourg entity into a RAIF is also possible, provided that the re-domiciliation of the entity is permitted under the laws of its jurisdiction of origin. Where re-domiciliation is not available, the conversion may alternatively be implemented by way of a contribution in kind, merger or another appropriate restructuring mechanism. In all cases, the entity must be brought into compliance with the AIFMD through the appointment of a fully authorised external AIFM by the time the conversion takes effect. The legislation further allows a fund established as a RAIF to be converted at a later stage into a regulated vehicle, such as a Part II fund, a SIF or a SICAR.

WHAT DOCUMENTATION AND REPORTING REQUIREMENTS MUST A LUXEMBOURG RAIF COMPLY WITH?

A RAIF must draw up an issue document, prospectus or placement memorandum containing all information necessary for investors to be able to make an informed judgement about the proposed investment and the risks associated therewith. A RAIF's issue document will typically include the disclosure requirements mandated by the AIFMD, which are designed to provide investors with the information required to make such an informed judgement. The legislative materials accompanying the RAIF Law expressly allow these disclosure requirements to be satisfied by other means, provided that the relevant information is made available to investors. The issue document must be kept up to date in all material respects where additional securities are issued to new investors.

The issue document must state prominently on its cover page that the RAIF is not subject to supervision by any Luxembourg supervisory authority. Subject to this requirement, the RAIF Law offers broad flexibility as regards the content of a RAIF's constitutional and issue documents. In practice, and in order to avoid the need to amend constitutional documents each time a new compartment is launched, such documents are typically drafted in a generic manner, with the specific features of each sub-fund described in a dedicated issue document. In such case, each sub-fund's issue document must clearly indicate that the RAIF is structured as an umbrella fund, in a manner comparable to the practice applicable to Luxembourg-domiciled SIFs and SICARs.

RAIFs are required to prepare and publish audited annual reports within six months following the end of their financial year. Such annual reports must be reviewed by a Luxembourg-approved statutory auditor and must contain at least the minimum information required by Appendix I of the RAIF Law and Article 22 of the AIFMD. Umbrella RAIFs may prepare separate annual reports for each sub-fund, provided that, in addition to the financial information relating to the relevant compartment, the report also includes consolidated financial information covering the other sub-funds of the RAIF, in line with a practice accepted by the CSSF for umbrella SIFs and SICARs.

WHAT REGULATORY OVERSIGHT IS A LUXEMBOURG RAIF SUBJECT TO?

RAIFs are not subject to direct authorisation, supervision or ongoing oversight by the Commission de Surveillance du Secteur Financier ("CSSF") and may therefore be launched without obtaining regulatory approval either prior to or following their establishment. They are, however, indirectly subject to the requirements of the Alternative Investment Fund Managers Directive ("AIFMD") through their appointed authorised alternative investment fund manager ("AIFM").

Recent legislative developments, including the adoption of Directive (EU) 2024/927 amending the AIFMD ("AIFMD II"), further reinforce the central role of the authorised AIFM in the governance, risk management and regulatory oversight of alternative investment funds, including RAIFs. While AIFMD II does not alter the core characteristics of the RAIF regime as an unregulated product at fund level, it strengthens supervisory expectations in relation to AIFM substance, delegation arrangements, liquidity risk management tools and regulatory reporting, which are expected to have an indirect impact on RAIF structures through their authorised AIFM.

In particular, the AIFM must hold the appropriate authorisation to manage funds pursuing the relevant investment strategy, as certain AIFMD authorisations in Luxembourg are limited to specific strategies. For the purposes of anti-money laundering and counter-terrorist financing (“AML/CFT”) matters, the competent authority for RAIFs is the Luxembourg registration duties, estate and VAT authority (Administration de l’enregistrement, des domaines et de la TVA – “AED”).

Where the AIFM is established outside Luxembourg, it must have obtained authorisation to provide management services in Luxembourg under Article 33 of the AIFMD relating to the passporting of management services. In such case, the RAIF’s constitutional and issue documents must be filed with the CSSF. Where a RAIF is managed by a Luxembourg-authorised AIFM, there is no systematic review of the fund’s documentation by the regulator. However, the CSSF may refuse the passporting of management services where the documentation submitted by a foreign AIFM does not demonstrate that its authorisation covers the management of the relevant type of AIF.

Once a RAIF has been established, no regulatory approval is required for subsequent actions during the life of the fund, including amendments to its documentation, the launch of new sub-funds or compartments, changes of service providers or the liquidation of the RAIF.

WHAT INVESTMENTS MAY A LUXEMBOURG RAIF UNDERTAKE?

As a matter of principle, a Luxembourg reserved alternative investment fund (RAIF) may pursue any investment strategy and invest in any type of asset, without restriction as to asset class, geography or technique, provided that its portfolio is managed in accordance with the principle of risk spreading.
An exception applies where the RAIF invests exclusively in risk capital and has elected to be subject to the tax regime applicable to investment companies in risk capital (SICARs). In that case, the RAIF is exempt from diversification requirements. For these purposes, “risk capital” is understood, by reference to the SICAR regime, as the direct or indirect contribution of assets to entities in the expectation of their launch, development or listing on a stock exchange.

Risk diversification framework

The determination of the appropriate level of risk spreading lies with the RAIF’s governing body, which is responsible for ensuring that the investment policy is implemented in compliance with the RAIF Law and applicable market practice. While the RAIF Law itself does not prescribe quantitative diversification limits, the parliamentary works indicate that the diversification principles applicable to specialised investment funds (SIFs) should be taken into account.

In this context, CSSF Circular 07/309 has been superseded by CSSF Circular 25/901, which sets out the relevant risk diversification principles for SIFs and, by extension, for RAIFs of the SIF-type. Accordingly, RAIFs that are subject to risk-spreading requirements are expected to comply with the principles set out in Circular 25/901.

For RAIFs (and their compartments) reserved to well-informed or professional investors, this generally implies that:

- as a rule, no more than 50% of the assets of a RAIF or compartment may be invested in a single issuer, entity or asset; and
- a higher concentration limit of up to 70% may be permitted in the case of a single infrastructure investment.

These limits are applied on a compartment-by-compartment basis and are subject to appropriately disclosed ramp-up and, where relevant, wind-down periods, in line with Circular 25/901.

Liquidity considerations and AIFMD II

From a regulatory perspective, investment flexibility at fund level is complemented by requirements applicable at the level of the authorised alternative investment fund manager (AIFM). In particular, AIFMD II introduces a harmonised framework for liquidity management tools, aimed primarily at funds investing in less liquid assets. While such tools are implemented and activated by the authorised AIFM rather than the RAIF itself, they may be reflected in the liquidity management arrangements of a RAIF depending on its investment strategy and liquidity profile.

Investments in specific asset classes (including virtual assets)

Within this broadly permissive framework, certain asset classes are subject to additional regulatory expectations. By way of example, the CSSF has provided guidance on investments in virtual assets in its FAQ on Virtual Assets (UCIs). The CSSF has clarified that an AIF managed by an authorised AIFM may invest directly or indirectly in virtual assets, provided that:

- the fund's interests are marketed exclusively to professional investors; and
- the AIFM has obtained an extension of its authorisation to cover the relevant investment strategy.

The CSSF has further clarified, inter alia, that a Luxembourg depositary may act as depositary for funds investing directly in virtual assets subject to certain conditions, and that appropriate AML/CFT risk assessments and due diligence must be carried out in respect of such assets.

WHICH LEGAL FORMS MAY A RAIF ADOPT?

TA RAIF may be structured as a common contractual fund (fonds commun de placement or "FCP"), which does not have legal personality, as an open-ended investment company (société d'investissement à capital variable or "SICAV"), or as a closed-ended investment company (société d'investissement à capital fixe or "SICAF").

A RAIF established in the form of an FCP must appoint a Luxembourg management company. Such management company may also act as the RAIF's alternative investment fund manager ("AIFM") where it is duly authorised as such by the CSSF; otherwise, the FCP must appoint a separate AIFM authorised in Luxembourg or in another EU Member State.

A RAIF established in the form of a SICAV or a SICAF may be constituted under any corporate form permitted by Luxembourg law, including a public limited company (société anonyme or "SA"), a private limited liability company (société à responsabilité limitée or "Sàrl"), a corporate partnership limited by shares (société en commandite par actions or "SCA"), a common or special limited partnership (SCS or SCSp), or a co-operative company organised as a public limited company (société coopérative sous forme de société anonyme or "SCoSA").

CAN LUXEMBOURG RAIFS HAVE MULTIPLE COMPARTMENTS AND SHARE CLASSES?

A RAIF may be structured as an umbrella fund with one or more compartments or sub-funds, with the assets and liabilities of each sub-fund legally segregated from those of the other sub-funds, unless otherwise provided for in the constitutional documents of the RAIF. Cross-investment between sub-funds is permitted, subject to the same conditions as those applicable to SIFs. The liquidation of a sub-fund does not result in the liquidation of the other sub-funds or of the RAIF as a whole, provided that at least one other sub-fund remains in existence.

Where provided for in the RAIF's issue document, each sub-fund may have its own distinct investment policy, and the rules governing the issue and redemption of securities or ownership interests may be tailored to each specific sub-fund. A single umbrella structure may combine open-ended and closed-ended sub-funds, fully funded sub-funds and compartments operating on a drawdown basis, and, in the case of limited partnerships, sub-funds issuing partnership interests either in the form of securities or through partnership capital accounts.

Each sub-fund may appoint its own investment manager or investment adviser, as well as its own investment committee or advisory board. The RAIF must, however, have a single managing body, such as the board of directors in the case of a fund established as an SA, the general partner in the case of a limited partnership, or the management company in the case of an FCP, and a single depositary, central administrator, external auditor and AIFM at the level of the RAIF.

In addition, a RAIF or any of its sub-funds may issue multiple classes of securities subject to different fee structures, distribution or carried interest arrangements, or currency hedging policies, and which may be denominated in different currencies. Sub-funds may also be reserved for one or more investors or for specific categories of investors.

WHAT CORPORATE RULES APPLY TO A LUXEMBOURG RAIF?

SICAV-RAIFs established as an SA, SCA or Sàrl benefit from corporate rules that are more flexible than those applicable to commercial companies or other types of corporate structures governed by the Luxembourg law of 10 August 1915 on commercial companies. In particular, there are no statutory constraints on the rules governing the issue and redemption of shares, including the determination of the issue price, which must be set out in the articles of association, subject to the requirement that at least 5% of each share be paid up upon issue.
Corporate RAIFs are subject to a minimum capital requirement of EUR 1.25 million, which must be reached within 24 months of their incorporation and may consist of subscribed capital and share premium. They are not required to create a statutory reserve. The payment of interim or annual dividends is subject only to compliance with the applicable minimum capital requirements.

RAIFs established as FCPs are not subject to statutory constraints on the issue and redemption of units, including rules applicable to the issue price, which must be set out in the management regulations. As with corporate RAIFs, the payment of distributions is subject only to the applicable minimum capital requirements.

SICAV-RAIFs established in the form of limited partnerships benefit from additional structuring flexibility. They may issue partnership interests either in the form of securities or through partners' capital accounts (comptes d'associés), and they enjoy broad contractual freedom to determine, in the limited partnership agreement, voting rights, entitlements to profits and losses and to distributions, as well as the rules governing the transfer of partnership interests.

WHAT ARE A LUXEMBOURG RAIF'S SERVICING REQUIREMENTS?

A RAIF must entrust the safekeeping of its assets to a Luxembourg depositary, being either a Luxembourg-established credit institution or the Luxembourg branch of a credit institution established in another EU Member State. Where a RAIF invests mainly in non-financial instruments and is subject to a lock-up period of at least five years following its initial investment, it may alternatively appoint a licensed professional depositary that is not a credit institution.

As a collective investment scheme, the central administration of a RAIF must be carried out in Luxembourg. Administrative and transfer agency functions must be performed by an administrator and registrar authorised by the CSSF. RAIFs are required to appoint an authorised AIFM, a depositary subject to the AIFMD liability regime, and an external auditor with appropriate qualifications and experience, approved by the CSSF as auditor of a Luxembourg UCITS, Part II fund, SIF or SICAR.

While the administrative functions may, in theory, be carried out by the RAIF itself or by its AIFM, where established in Luxembourg, in practice a specialised Luxembourg fund administrator is generally appointed, either by the AIFM in accordance with the AIFMD delegation rules or directly by the RAIF's managing body.

The AIFM may appoint one or more investment managers or investment advisers to manage the assets of the RAIF or of its sub-funds, subject to Article 20 of the AIFMD and Article 78 of Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012. A non-regulated entity may only be appointed as investment manager or sub-investment manager of a RAIF subject to the prior approval of the AIFM's competent supervisory authority.

.

WHO MAY INVEST IN A LUXEMBOURG RAIF?

A RAIF may accept investments only from qualified or "well-informed" investors, as defined in the SIF and SICAR legislation. These comprise institutional investors (as defined by the CSSF in accordance with established practice), professional investors, and other investors who do not qualify as either institutional or professional investors, but who invest or commit at least EUR 100,000 in the RAIF and confirm in writing that they adhere to the status of well-informed investor.

Investments of less than EUR 100,000 may be accepted from such investors, provided that they have been assessed and certified by a credit institution, an investment firm, an authorised AIFM or a management company as having the expertise, experience and knowledge necessary to adequately understand and assess an investment in the RAIF. In addition, directors, officers and other persons involved in the management of the RAIF are permitted to invest in the RAIF, even if they do not fall within any of the above investor categories.

By complying with the AIFMD notification process for passporting, a RAIF may be marketed to professional investors in other EU Member States, as it is an EU-domiciled alternative investment fund managed by an authorised AIFM. A RAIF's offering document must contain all information necessary to enable investors to assess an investment in the RAIF. As noted above, the cover page of the RAIF's offering document must clearly state that the RAIF is not subject to supervision by the CSSF, unlike SIFs or SICARs. The offering document must be kept up to date and amended prior to the acceptance of new investors. Sub-funds may have separate offering documents, provided that they clearly indicate that the RAIF is structured as an umbrella fund with multiple sub-funds.

WHAT TAXATION IS A LUXEMBOURG RAIF SUBJECT TO?

The Luxembourg RAIF framework provides for two alternative tax treatments at fund level. As a default position, a RAIF is subject to a tax regime broadly aligned with that applicable to specialised investment funds (SIFs). By way of derogation, a RAIF whose constitutive documents restrict its investment policy to assets qualifying as risk capital may elect to be subject to a tax regime comparable to that applicable to Luxembourg investment companies in risk capital (SICARs). Where a RAIF is structured as an umbrella fund, this tax election must be applied consistently across all compartments and cannot vary from one sub-fund to another.

General tax regime (Default regime, SIF-type RAIFs)

In principle, a Luxembourg reserved alternative investment fund (RAIF) is subject to the same default tax regime as a specialised investment fund (SIF), unless it validly elects the risk capital (SICAR-like) regime where available. RAIFs structured as contractual funds (fonds commun de placement) or as common or special limited partnerships (SCS/SCSp) are, as a rule, treated as tax transparent for Luxembourg direct tax purposes and are therefore not subject to Luxembourg corporate income tax at fund level, save where specific rules (including the reverse hybrid rules implementing ATAD 2) may lead to taxation at the level of the vehicle in certain circumstances.

Under this general regime, RAIFs are, as a matter of Luxembourg domestic tax law, exempt from Luxembourg corporate income tax, municipal business tax and net wealth tax. Instead, RAIFs are subject to an annual subscription tax (taxe d'abonnement) at a rate of 0.01% of their net assets. The subscription tax is assessed on the basis of the net asset value of the RAIF calculated at the end of each calendar quarter and is payable on a quarterly basis.

The RAIF Law provides for a number of exemptions from the subscription tax. In particular, no subscription tax is levied on assets invested in other Luxembourg collective investment undertakings that are themselves subject to subscription tax. Exemptions may also apply, subject to statutory conditions, to RAIFs investing in certain money market instruments, bank deposits or microfinance, as well as to RAIFs whose investors consist exclusively of pension funds or comparable institutions. Compartments or share classes reserved to pension schemes may likewise benefit from such exemptions.

Optional tax regime for RAIFs investing in risk capital (SICAR-type RAIFs)

A Luxembourg reserved alternative investment fund (RAIF) may elect an alternative tax regime where its constitutive documents expressly provide that its exclusive investment objective consists of investments qualifying as risk capital and where the relevant provisions of the RAIF Law are applied. This option is available to RAIFs established in corporate form (excluding RAIFs structured as fonds commun de placement).

This alternative regime is designed to mirror, in substance, the tax treatment applicable to Luxembourg investment companies in risk capital (SICARs). Although the RAIF Law does not itself define the concept of risk capital, the parliamentary preparatory works indicate that reference should be made to the principles developed under the SICAR regime, as reflected in CSSF Circular 06/241 of 5 April 2006, which has been repealed and replaced by CSSF Circular 25/901.

RAIFs applying the risk capital regime are, in principle, subject to Luxembourg corporate income tax and municipal business tax and may, subject to applicable conditions and anti-abuse rules, be regarded as Luxembourg tax residents for domestic law and treaty purposes. However, income and capital gains derived from assets qualifying as risk capital are excluded from the taxable base. Income arising from assets held temporarily pending their investment into qualifying risk capital may also benefit from this exemption, provided that such assets are effectively invested into risk capital within a period of twelve months.

By contrast with the general SIF-type regime, no subscription tax (taxe d'abonnement) is levied on RAIFs applying the risk capital regime. Income that does not qualify as risk capital income remains subject to Luxembourg taxation in accordance with ordinary tax principles, and expenses or losses directly connected with exempt income are not deductible from the taxable base.

RAIFs subject to the risk capital regime are exempt from Luxembourg net wealth tax, subject to the minimum net wealth tax applicable to fully taxable Luxembourg companies. As from 1 January 2025, this minimum net wealth tax is determined solely by reference to the total balance sheet size and currently amounts to EUR 535, EUR 1,605 or EUR 4,815 per year, depending on the applicable balance sheet threshold.

Where a RAIF applying the risk capital regime is established as a common or special limited partnership (SCS or SCSp), it is treated as tax transparent for Luxembourg direct tax purposes. As a result, no Luxembourg corporate income tax or municipal business tax is levied at fund level, irrespective of the application of the risk capital regime, and taxation is determined at the level of the investors.

Taxation of investors in a RAIF

Distributions made by a RAIF to its investors, as well as proceeds realised upon the redemption or repurchase of RAIF units or shares, are not subject to Luxembourg withholding tax.

Non-Luxembourg-resident investors in a RAIF who do not act through a Luxembourg permanent establishment are, as a rule, not subject to Luxembourg taxation on income or capital gains derived from their investment in the RAIF.

VAT

Management services supplied to a RAIF may benefit from the Luxembourg VAT exemption applicable to the management of investment funds, subject to the conditions laid down in Luxembourg VAT legislation and relevant case law.

Other services provided to a RAIF, including purely technical services, ancillary or certain supervisory and control services, may fall outside the scope of the VAT exemption, depending on their nature and the circumstances in which they are supplied.

International tax considerations

RAIFs subject to the general tax regime and established in corporate form may, subject to the applicable conditions, benefit from certain double taxation treaties concluded by Luxembourg.

RAIFs applying the risk capital regime and established as tax-opaque entities are generally regarded as Luxembourg tax residents for domestic law and treaty purposes. By contrast, RAIFs established as contractual funds or limited partnerships are typically treated as tax transparent for Luxembourg tax purposes, which may allow investors, subject to the applicable treaty provisions, to claim treaty benefits directly.

depending on the applicable balance sheet threshold.

Where a RAIF applying the risk capital regime is established as a common or special limited partnership (SCS or SCSp), it is treated as tax transparent for Luxembourg direct tax purposes. As a result, no Luxembourg corporate income tax or municipal business tax is levied at fund level, irrespective of the application of the risk capital regime, and taxation is determined at the level of the investors.

WHAT IS THE PRACTICAL USE OF A RAIF?

As result of its flexibility, the RAIF offers the possibility to be used to structure a hedge fund, private equity fund, venture capital fund, real estate fund, crypto fund, infrastructure fund, distressed debt fund, Islamic finance fund, socially responsible investment fund, tangible assets fund, and any other type of alternative fund.

COMPARISON TABLE OF LUXEMBOURG ALTERNATIVE INVESTMENT FUNDS (AIF)

	Regulated Investment Vehicles			Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	RAIF	Unregulated SCS / SCSp
Applicable legislation	Law of 17 December 2010 - Part II ("UCI Law")	Law of 13 February 2007 ("SIF Law")	Law of 15 June 2004 ("SICAR Law")	Law of 23 July 2016 ("RAIF Law")	Law of 10 August 1915 ("Company Law")
Authorisation and supervision by the CSSF	Yes.	Yes.	Yes.	No.	No.
Qualification as an AIF	Always an AIF.	Yes, unless it falls outside the AIF definition (i.e. it does not raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors).	Yes, unless it falls outside the AIF definition (i.e. it does not raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors).	Always an AIF.	Non-AIF, unless activities fall within the scope of article 1 (39) of the AIFM Law.
Exemption from AIFMD full regime under lighter regime (AIFMD registration regime)	Possible.	Possible.	Possible.	No.	Possible.
External authorised AIFM requirement	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.	Always required.	Required in case the entity is an AIF that is not self-managed and above the AIFMD threshold.
Eligible investors	Unrestricted.	Well-informed investors.	Well-informed investors.	Well-informed investors.	Unrestricted.
Eligible assets	Unrestricted. The investment objective and strategy of the fund is subject to the prior approval of the CSSF.	Unrestricted.	Restricted to investments in securities representing risk capital as specified in CSSF Circular 25/901 which has replaced Circular 06/241. The circular clarifies the criteria applied by the CSSF when assessing whether investments pursued by a SICAR qualify as risk capital, notably the intention to develop the target entity, the existence of a specific risk going beyond mere market risk, an exit strategy and, where appropriate, a degree of control or supervision A SICAR may use derivatives for hedging purposes or if such transactions are necessary to the realisation of its investment policy. However, investments in derivatives may not be the object of its investment policy, as they are not used, in principle, to create value in itself or to contribute to the development of the target entity. The investment of a SICAR in real estate is only possible through intermediary vehicles (such as SPVs) or real-estate funds. The underlying real-estate assets must meet the criteria of risk capital set out in CSSF circular 25/901.	Unrestricted, unless it invests in a portfolio of risk capital (such as a Sicar).	Unrestricted.

	Regulated Investment Vehicles			Unregulated Investment Vehicles	
	Part II UCI	**SIF**	**SICAR**	**RAIF**	**Unregulated SCS / SCSp**
Risk diversification requirements	Risk diversification requirements applicable to Part II UCIs are set out in CSSF Circular 25/901, which specifies the concept of risk-spreading referred to in Articles 89(1), 93(1) and 97 of the Law of 17 December 2010. In principle, Part II UCIs marketed to unsophisticated retail investors may not invest more than 25% of their assets or commitments to subscribe in a single issuer, entity or asset, subject to specific derogations. For Part II UCIs reserved to well-informed or professional investors, this limit is raised to 50%, and up to 70% for a single infrastructure investment. The circular allows for duly justified derogations and provides for ramp-up and, where applicable, wind-down periods during which investment limits may not apply, subject to CSSF acceptance.	Risk diversification requirements are set out in CSSF Circular 25/901. For SIFs and compartments thereof reserved for well-informed or professional investors, the following concentration limits apply - a maximum of 50% of assets may be invested in a single issuer, entity, or asset; - a higher limit of up to 70% applies to a single infrastructure investment. The circular also allows a defined ramp-up period and a wind down period up to 4 years for private investments, during which limits may not apply as described in the sales document.	No risk diversification requirements. A SICAR may set investment limits in its sales document and may include ramp up and wind down periods during which those self-imposed limits do not apply.	Aligned with SIF risk diversification rules, unless the RAIF has opted to invest exclusively in risk capital and is therefore subject to the SICAR regime, as stated in its constitutive documents.	No risk diversification requirements.
Legal Form	• FCP • SICAV (SA) • SICAF (SA, Sàrl, SCA, SCS, SCSp) The entities may be open-ended or closed-ended.	• FCP • SICAV (SA, Sàrl, SCA, SCoSA, SCS, SCSp) • SICAF (SA, Sàrl, SCA, SCoSA, SCS, SCSp) The entities may be open-ended or closed-ended.	• SA • Sàrl • SCA • SCS • SCSp • SCoSA The entities may be open-ended or closed-ended.	• FCP • SICAV (SA, Sàrl, SCA, SCoSA, SCS, SCSp) • SICAF (SA, Sàrl, SCA, SCoSA, SCS, SCSp) The entities may be open-ended or closed-ended.	• SCS • SCSp
Umbrella structure	Yes.	Yes.	Yes.	Yes.	No.
Capital requirements	• FCP: EUR 1,250,000 to be reached no later than 12 months following the authorisation by the CSSF. • Self managed SICAV / SICAF: EUR 300,000 at the date of authorisation and EUR 1,250,000 within 12 months following its authorisation.	EUR 1,250,000 to be reached no later than 24 months following the authorisation by the CSSF.	EUR 1,000,000 to be reached no later than 24 months following the auhorisation by the CSSF.	• FCP: EUR 1,250,000 to be reached within 24 months from the entry into force of the management regulations. • SICAV: EUR 1,250,000 to be reached within 24 months from the incorporation of the SICAV.	No minimum capital requirement.

	Regulated Investment Vehicles			Unregulated Investment Vehicles	
	Part II UCI	**SIF**	**SICAR**	**RAIF**	**Unregulated SCS / SCSp**
Required service providers	• Management company in case of an FCP. • Depositary institution. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor. • Registered AIFM or Authorised AIFM in case of an AIF above threshold.	• Registered AIFM or authorised AIFM in case of an AIF above threshold. • Management company in case of an FCP. • Depositary bank or professional of the financial sector providing depositary services, subject to conditions. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor.	• Registered AIFM or authorised AIFM in case of AIF above threshold. • Depositary bank or professional of the financial sector providing depositary services, subject to conditions. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor.	• Authorised AIFM. • Management company in case of an FCP • Depositary bank or professional of the financial sector providing depositary services, subject to conditions. • Administrative agent. • Registrar and Transfer Agent. • Approved statutory auditor.	For SCS: • Alternative Investment Fund Manager (if the SCS qualifies as an AIF). • No requirement to appoint a depositary (except if the SCS qualifies as an AIF and is managed by a duly authorised AIFM). For SCSp: • Alternative Investment Fund Manager (if the SCSp qualifies as an AIF). • No requirement to appoint a depositary (except if the SCSp qualifies as an AIF and is managed by a duly authorised AIFM).
Possibility of listing	Yes.	Yes.	Yes, but difficult in practice.	Yes.	In principle, no. The SCS/ SCSp may however issue debt securities that are eligible to be listed on the stock exchange.
European passport	No, unless it falls under the scope of the full AIFMD regime.	No, unless it falls under the scope of the full AIFMD regime.	No, unless it falls under the scope of the full AIFMD regime.	Yes.	No, unless it falls under the scope of the full AIFMD regime.
Net asset value (NAV) calculation and redemption frequency	The UCIs must make public the issue, sale and repurchase price of their units each time they issue, sell and repurchase their units, and at least once a month.	At least once a year.	The valuation of the assets of the company is based on the "fair value".	At least once a year..	Not required.
Overall income tax (corporate income tax and municipal business tax)	No income tax.	No income tax.	• General aggregate rate: 23.87%. In certain cases, reduced corporate income tax rates may apply. Income derived from transferable securities (e.g. dividends received and capital gains realised on the sale of shares) is exempt. Income on cash held for the purpose of a future investment is also exempt (for one year).	No income tax, unless investing only in risk capital, then SICAR tax regime applicable.	No corporate income tax applicable. Municipal business tax of 6.75% applicable in very limited circumstances, namely in case the SCS/SCSp (i) carries out a commercial activity or (ii) is deemed to carry out a commercial activity. A SCS/ SCSp is deemed to carry out a commercial activity if its general partner is a Luxembourg public or private limited liability company holding at least 5% of the partnership interests. With a proper structuring of the GPs partnership interest it should be possible to avoid the deemed commercial characterisation of the SCS/SCSp.

	Regulated Investment Vehicles			Unregulated Investment Vehicles	
	Part II UCI	SIF	SICAR	RAIF	Unregulated SCS / SCSp
Subscription tax (NAV: net asset value)	• Rate: 0.05% of the NAV annually. • Reduction: 0.01% of the NAV annually in certain specific cases. • Tax exemptions: special institutional money market cash funds, special pension funds (including pension pooling vehicles) and funds investing in other funds which are already subject to subscription tax.	• Rate: 0.01% of the NAV annually. • Tax exemptions: certain money market and pension funds or SIFs investing in other funds which are already subject to subscription tax.	No subscription tax.	• Rate: 0.01% of the NAV annually. • Exemptions apply.	No subscription tax.
Wealth tax	No wealth tax.	No wealth tax.	No wealth tax.	No wealth tax.	No wealth tax.
Withholding tax on dividends	Not subject to withholding tax.	Not subject to withholding tax.	Not subject to withholding tax.	Not subject to withholding tax.	Not subject to withholding tax.
Benefit from Double Tax Treaty network	• SICAV/SICAF: Limited to certain double tax treaties (see circular L.G. -A n°61 of the tax administration of 24 December 2024). • FCP: see circular L.G.-A n°61 of the tax administration of 24 December 2024.	• SICAV/SICAF: Limited to certain double tax treaties (see circular L.G. -A n°61 of the tax administration of 24 December 2024). • FCP: see circular L.G.-A n°61 of the tax administration of 24 December 2024.	Yes in case the SICAR is set-up as a corporate entity (except if set-up under the form of a SCS/SCSp).	• RAIFs investing in a portfolfio of risk capital (such as a SICAR) Access if set-up as a corporate entity (except if set-up under the form of a SCS/SCSp). • RAIFs not investing in a portfolio of risk capital (such as a SICAR), but set-up as: SICAV / SICAF: Limited to certain double tax treaties (see circular L.G. -A n°61 of the tax administration of 24 December 2024). FCP: see circular L.G.-A n°61 of the tax administration of 8 December 2024.	No.
Benefit from the EU Parent Subsidiary Directive	No.	No.	In principle yes, but certain jurisdictions where the target companies are located may challenge the application of the directive.	No, unless RAIF that invests in a portfolio of risk capital (such as a SICAR).	No.
Thin capitalization rules (debt-to-equity ratio)	Borrowings of up to 25% of net assets without any restrictions are allowed.	No debt-to-equity ratio.	No debt-to-equity ratio.	No debt-to-equity ratio.	No debt-to-equity ratio.
Practical use	CSSF-authorised regulated investment vehicle used for investment strategies that fall outside the the UCITS eligibility criteria, including strategies involving less liquid or non-UCITS-eligible assets, while remaining subject to full CSSF product supervision.	CSSF-authorised regulated alternative investment vehicle reserved to well-informed investors and commonly used as an AIF for a broad range of alternative investment strategies, including private equity, hedge funds, real estate, infrastructure and private debt..	CSSF-authorised regulated investment vehicle dedicated to private equity, venture capital and other investments qualifying as risk capital, targeting the development and value creation of portfolio companies.	Alternative investment vehicle reserved to well-informed investors, used for the same range of alternative investment strategies as SIFs, including hedge funds, private equity, venture capital, real estate, infrastructure and private debt, and structured without prior CSSF product authorisation, with regulatory supervision exercised by the CSSF at the level of the authorised AIFM.	Unregulated partnership investment vehicle commonly used for private equity, real estate, venture capital and other alternative strategies, offering significant contractual flexibility and frequently used in fund structuring, co-investment arrangements and carried interest vehicle structures.

GLOSSARY OF TERMS

AED: Administration de l'enregistrement des domaines et de la TVA.

AIF: Alternative Investment Fund as defined by article 1 (39) of the AIFM Law, namely collective investment undertakings, including investment compartments thereof, which (a) raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors; and (b) do not require authorization pursuant to article 5 of Directive 2009/65/EC (i.e. UCITS).

AIFMD: Directive 2011/61/EU on alternative investment fund managers.

AIFMD II: Directive (EU) 2024/927 amending Directive 2011/61/EU on alternative investment fund managers, adopted in 2024 and subject to transposition into national law.

AIFMD registration regime: An AIFM that wishes to make use of the registration regime must have assets under management of less than EUR 100 million, or EUR 500 million if it manages only funds closed for at least 5 years not using leverage.

AIFM: A legal person whose regular business is managing one or more AIFs.

AIFM Law: Luxembourg law of 12 July 2013 on alternative investment fund managers (transposing the AIFM directive into Luxembourg law).

AIFM Law threshold: the thresholds provided for in article 3 (2) of the AIFM Law.

CSSF: The Luxembourg Supervisory Authority of the Financial Sector *(Commission de Surveillance du Secteur Financier)*.

Company Law: The Luxembourg law of 10th August 1915 on commercial companies, as amended from time to time.

FCP: Common fund *(fonds commun de placement)*.

Part II UCI: Undertaking for collective investment established under Part II of the Luxembourg law of 17 December 2010.

RAIF: Reserved alternative investment fund *(fonds d'investissement alternatif réservé)*.

S.A.: Public limited liability company *(société anonyme)*.

S.à r.l.: Private limited liability company *(société à responsabilité limitée)*.

SAS: Simplified stock company *(société par actions simplifiée)*.

S.C.A.: Corporate partnership limited by shares *(société en commandite par actions)*.

SCoSA: Cooperative company organised as a public limited company *(société cooperative organisée comme une société anonyme)*.

SCS: Common limited partnership *(société en commandite simple)*.

SCSp : Special limited partnership *(société en commandite spéciale)*.

SICAF: Investment company with fixed capital *(société d'investissement à capital fixe)*.

SICAR: Investment company in risk capital *(société d'investissement en capital à risqué)*.

SICAV: Investment company with variable capital *(société d'investissement à capital variable)*.

SIF: Specialised investment fund *(fonds d'investissement spécialisé)*.

Well-informed investors: A well-informed An institutional investor, a professional investor within the meaning of Annex II to Directive 2014/65/EU (MiFID II), or any other investor who has confirmed in writing that they adhere to the status of well-informed investor and who either (i) invests a minimum of EUR 100,000 in the RAIF or (ii) has been the subject of an assessment made by a credit institution (within the meaning of Regulation (EU) No 575/2013), an investment firm (within the meaning of Directive 2014/65/EU), a management company (within the meaning of Directive 2009/65/EC), or an authorised alternative investment fund manager within the meaning of Directive 2011/61/EU, certifying the investor’s expertise, experience and knowledge to adequately appraise an investment in the RAIF.

HOW CAN WE ASSIST YOU?

Drawing on experience in Luxembourg alternative investment funds and RAIF structures, our investment management team advises asset managers, sponsors and family offices on the structuring, establishment and operation of Luxembourg funds and related investment platforms. We support clients throughout the fund lifecycle by:

- Advising on the selection and structuring of investment vehicles, taking into account marketing, regulatory, legal and tax considerations;
- Establishing RAIFs and other Luxembourg fund vehicles, including preparing and negotiating offering and constitutional documents and incorporating the fund and its general partner;
- Assisting with dedicated investment platforms, co-investment arrangements and other bespoke investment structures
- Coordinating the appointment of depositaries, authorised AIFMs, central administrators, transfer agents and auditors;
- Advising on migrations, restructurings and re-domiciliations of offshore or non-Luxembourg funds into Luxembourg;
- Providing ongoing corporate, regulatory and governance support including changes to fund terms and the launch or liquidation of compartments or share classes.
- Assisting with changes of service providers;
- Advising on fund distribution, AIFMD passporting, private placement regimes and listings on the Luxembourg Stock Exchange;
- Advising on AIFMD, AIFMD II and related regulatory developments, while keeping clients informed of developments affecting Luxembourg investment funds and the alternative asset management industry.

OLIVIER SCIALES

Head of Investment Management

Partner

Tel: +352 26 25 90 30

olivierSciales@cs-avocats.lu

CÉCILE RECHSTEIN

Investment Management

Partner

Tel: +352 26 25 90 30

cecilerechstein@cs-avocats.lu

CHEVALIER & SCIALES
LUXEMBOURG LAW FIRM

Chevalier & Sciales is a Luxembourg law firm established in 2005 with specialist expertise in investment management, litigation, arbitration and dispute resolution, tax, banking, finance and capital markets, private wealth management and corporate transactions. Our dynamic litigation and transaction teams have an international reputation for bringing together excellence and intellectual rigour with a practical and business-minded approach in serving our clients.

Our aim is to offer a one-stop-shop service to our clients and to provide tailored solutions to meet their needs, responsively and cost-effectively. Our practice areas are structured to ensure a comprehensive understanding of our clients' business and markets. We work with recognised service providers to provide you with the assistance and services you require through every aspect of your transactions and business.

Chevalier & Sciales is highly recommended for its expertise in investment funds, corporate tax, litigation, arbitration and dispute resolution.

LUXEMBOURG

36-38 Grand-Rue
L-1660 Luxembourg
Grand Duchy of Luxembourg

Tel : +352 26 25 90 30
Fax : +352 26 25 83 88

www.cs-avocats.lu //