PERSPECTIVES · LUXEMBOURG

A Freeport for Luxembourg

Storing art, wine and passion assets at the heart of Europe

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LUXEMBOURG FOR FAMILY OFFICE

Luxembourg, at the heart of Europe, with its economic and social stability, its renowned marketplace and its attractive VAT and tax legislation, is well placed to add a new instrument to its wealth toolbox. Particularly with the arrival of alternative funds in the luxury-goods segment (such as wine, watches or works of art), Luxembourg, with its ideal geographic situation, could open a "free port" on the site of the former American air base. New horizons can unfold for the country, which is among the most easily accessible in Europe.

A free port is a specific, permanent area free of duties and taxes on goods that are temporarily stored in view of transit, or of consumption in Luxembourg or in Europe. Such goods benefit from a temporary suspension of duties and taxes for the duration of their storage. A free port offers its customers the capacity to store their products under this "free" regime, in custody and outside Customs. This particular status allows safe storage under the control of Customs, with a temporary suspension of duties and taxes that is unlimited in time, and hence a genuine cash gain.

The Geneva model

In Switzerland, the Geneva Free Port & Warehouses corporation is a "mixed economy" limited company offering some 140,000 m^2 of storage area for any kind of goods: the renting-out of all kinds of commercial premises, specialist storage services, handling, transport and logistics services, and infrastructure and equipment adapted to a wide range of products, from the mundane to the most valuable. In the old ports of Geneva and Zurich, artefacts have historically never been subject to an inventory: the free ports have safely retained the goods in a dedicated box allocated to a given person, without knowing the contents. Both ports are now working to establish an inventory.

Benefits for an art collector

A purchased object is normally associated with VAT in the country where the transaction takes place. If the investor buys the artwork within a free port and keeps it in storage there, or has it delivered to another warehouse of the free port, no VAT is paid until the moment the owner decides to take it out for personal enjoyment. As VAT rates vary across Europe between 15% and 25%, the investor effectively saves money while the collection remains secure. Given the risks of theft and the capacity limits of collection safes, an investor may well opt for such storage; and, as the inventory is not made public, the artefacts remain the owner's own private knowledge.

Benefits for an antique or art dealer

The dealer pays no VAT when acquiring the object. He can keep his paintings in a free port and sell them to a buyer anywhere in the world without his cash flow being impacted by taxes. He can also move an object from one free port to another (Dubai, Singapore, and so on) while keeping his costs to the minimum required for safe storage. The ease of transport from one continent to another is a further consideration in favour of the model.

— Luxembourg For Family Office.

> *No VAT until the work leaves the door: a free port turns safe storage into a genuine cash gain.*