

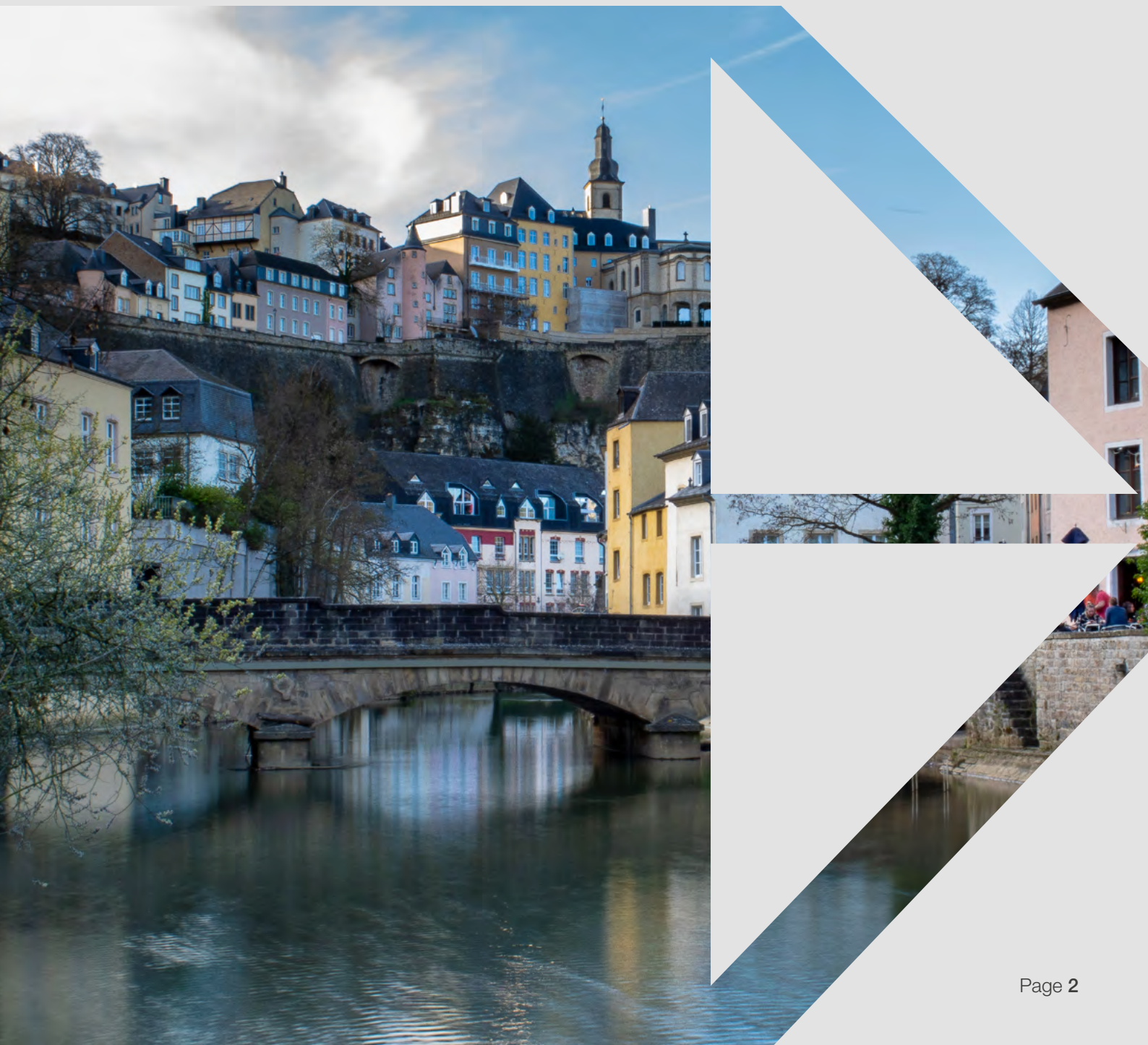


Luxembourg,  
an ideal financial hub  
for Korean investors





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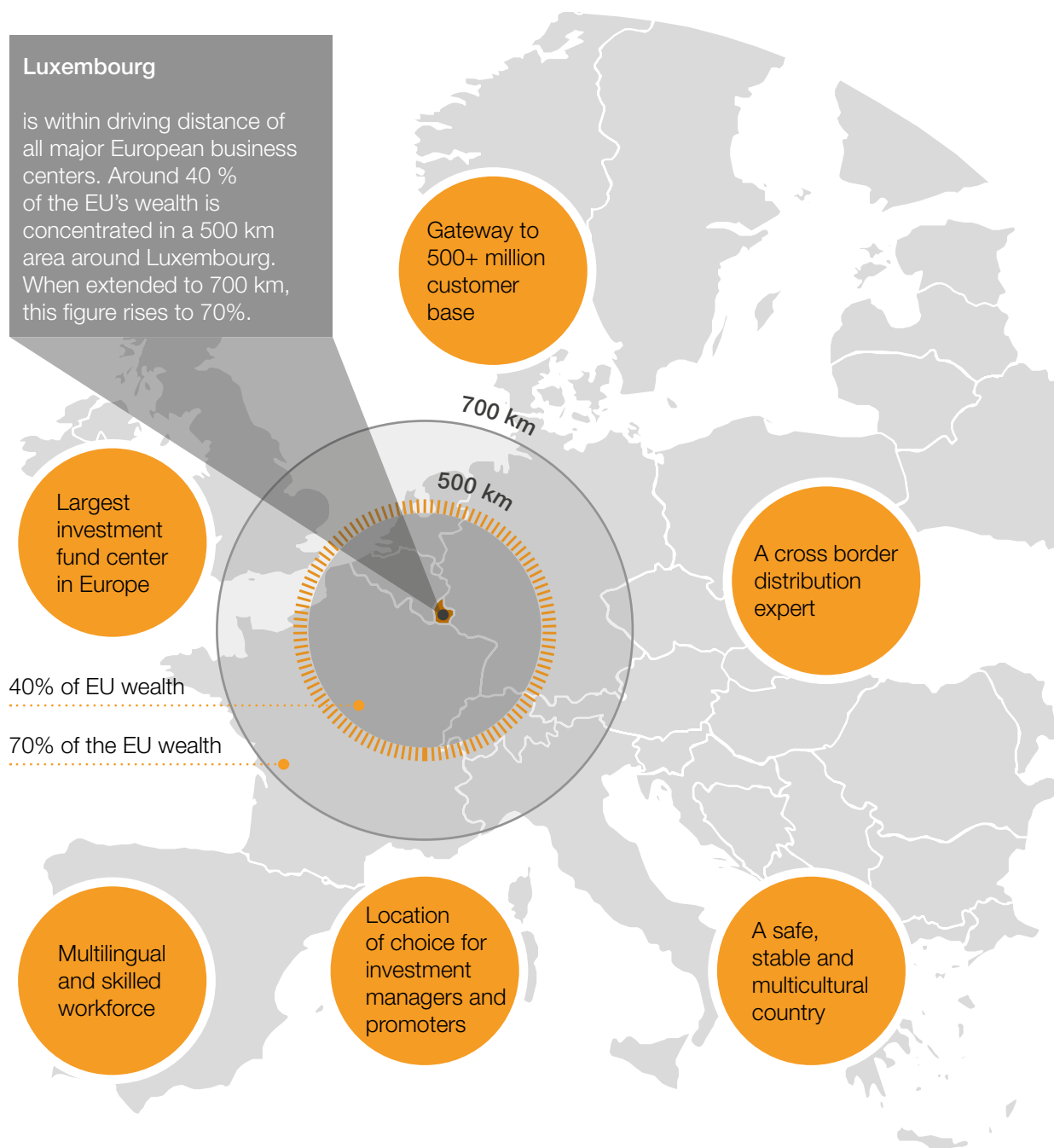
# Why Luxembourg?

Luxembourg is the hub for mainstream and private market investments in Europe. Since 1988, when the first UCITS Directive was implemented into local law, the consistent growth in both assets and investments vehicles reflects the location, stability and expertise offered by the Luxembourg ecosystem.

Whether it is for your centre of operations, private equity, infrastructure, real estate or debt investments, there has never been a more critical time to choose the right location to domicile your business investment structures.

At PwC Luxembourg, we are ready to work with you to address your needs and find the solution that helps create the value you are looking for.

## Strategically at the heart of Europe



# Investment opportunities in Europe for return and diversification in private market assets

*“2023 will be defined by real estate investors prioritising long-term stability and a renewed focus on how the industry conducts its business.”*

Emerging Trends in Real Estate® Europe 2023, PwC

Stable credit rate for target countries in Europe: many countries in Europe have a credit rating of AA or above.

Expansion of target jurisdictions: investors seek investments beyond the major European countries to the Nordics and in Eastern Europe.

Investments in European private markets continue to grow in debt, private equity, real estate and infrastructure.

Portfolio investments assets from Europe to Asia (USD mn)

| Country      | Venture Capital | Private Equity | Infrastructure  |
|--------------|-----------------|----------------|-----------------|
| China        | 8,389.5         | 4,899.2        | -               |
| Japan        | 836.9           | -              | 53.0            |
| Singapore    | 4,935.8         | 913.2          | 86.0            |
| Malaysia     | 351.0           | -              | -               |
| South Korea  | 1,461.8         | 1,500.0        | 42.3            |
| Other        | 12,693.3        | 2,370.6        | 17,880.8        |
| <b>Total</b> | <b>28,668.3</b> | <b>9,683.0</b> | <b>18,062.2</b> |

Portfolio investments assets from Asia to Europe (USD mn)

| Country      | Venture Capital | Private Equity  | Infrastructure |
|--------------|-----------------|-----------------|----------------|
| China        | 6,089.3         | 190.0           | 216.2          |
| Japan        | 1,499.0         | 923.1           | 64.5           |
| Singapore    | 3,271.5         | 8,371.7         | 769.2          |
| Malaysia     | 2.9             | 1,764.0         | 191.3          |
| South Korea  | 754.8           | -               | 806.3          |
| Other        | 2,613.5         | 676.6           | 940.1          |
| <b>Total</b> | <b>14,231.0</b> | <b>11,925.4</b> | <b>2,987.6</b> |

## Focus of Korean investors

**Familiar holding structure:** Luxembourg has been a hub for European investments for decades. Luxembourg offers a flexible exit strategy and a friendly share transaction option for international investors.

**Mitigating tax leakage when repatriating profits:** Luxembourg has one of the most stable and attractive tax regimes in Europe, which provides an efficient repatriation scheme that is suitable for the common vehicles being used for Korean investors.

**Credibility:** While Luxembourg provides an efficient repatriation scheme and accessibility to different tax rules (e.g. participation exemption, EU directive, tax treaties, etc.), it complies fully with EU tax directives (e.g. ATAD I, ATAD II, ATAD III, and DAC 6, etc.) in accordance with tax transparency.

**Stability:** Korean investors are focused on the stable management of invested assets and compliance with tax rules, especially newly implemented/to be implemented new tax rules, such as ATAD III and DAC 6. Managing tax filing obligations and keeping the structure stable going forward with continuous tax developments in Europe requires a stable ecosystem and meticulous care.



## A net zero future

**The importance of environmental, social, and governance (ESG)** issues has grown significantly over the last few years. The governance factors are **becoming increasingly important in Europe** and environmental considerations remain a question mark to a large number of investors.

As with ESG requirements, the adoption of ESG reporting standards has been driven by the European Union's (EU) 2021 Sustainable Finance Disclosure Regulation (SFDR). The SFDR has an extraterritorial effect, which means that it applies to any structure that has at least one European investor.

There are complexities and uncertainties surrounding ESG reporting such as multiple ESG frameworks, evolving regulations, ESG data management, and quantifying ESG risks in practice.

The recent focus on ESG standards in South Korea has escalated benefits and drawbacks to tackle social and environmental challenges including greenwashing concerns. Non-specific guidelines to the regulatory and reporting environment still remain as the biggest challenge.

PwC Luxembourg has been at the forefront of the ESG journey for our clients but also as a priority for ourselves by committing to net zero by 2030, globally.

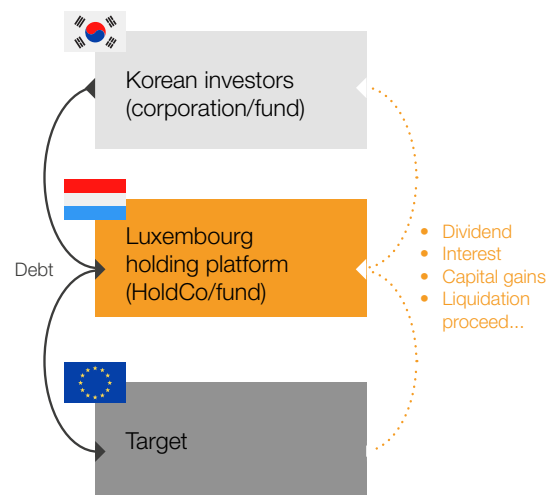


# Examples of investment structures

## Single-tier investment structure

### Who may consider this structure?

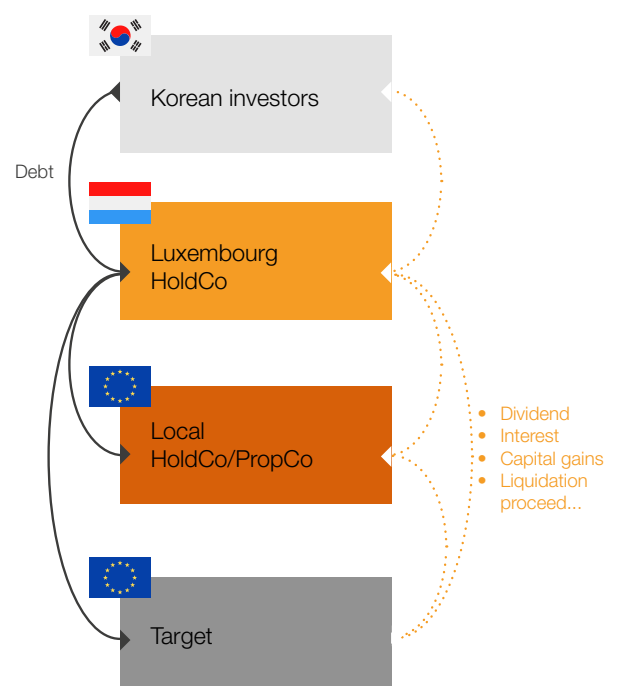
- A Korean fund investing in multiple assets in Europe and needing a master fund in Europe -> most of all the Europe-based alternative investment funds are domiciled in Luxembourg, and the world's largest fund managers use Luxembourg as their base for the global distribution of fund products. Luxembourg provides a first-class administrative infrastructure through the presence of a wide range of renowned global service providers.
- A Korean fund or corporation investing in Europe and needing a holding platform -> Luxembourg has long been known for European holding company jurisdiction. No additional tax leakage should arise at the level of Luxembourg holding platform, and foreign tax credit should be available at the level of the Korean investor in a form of credit or refund.



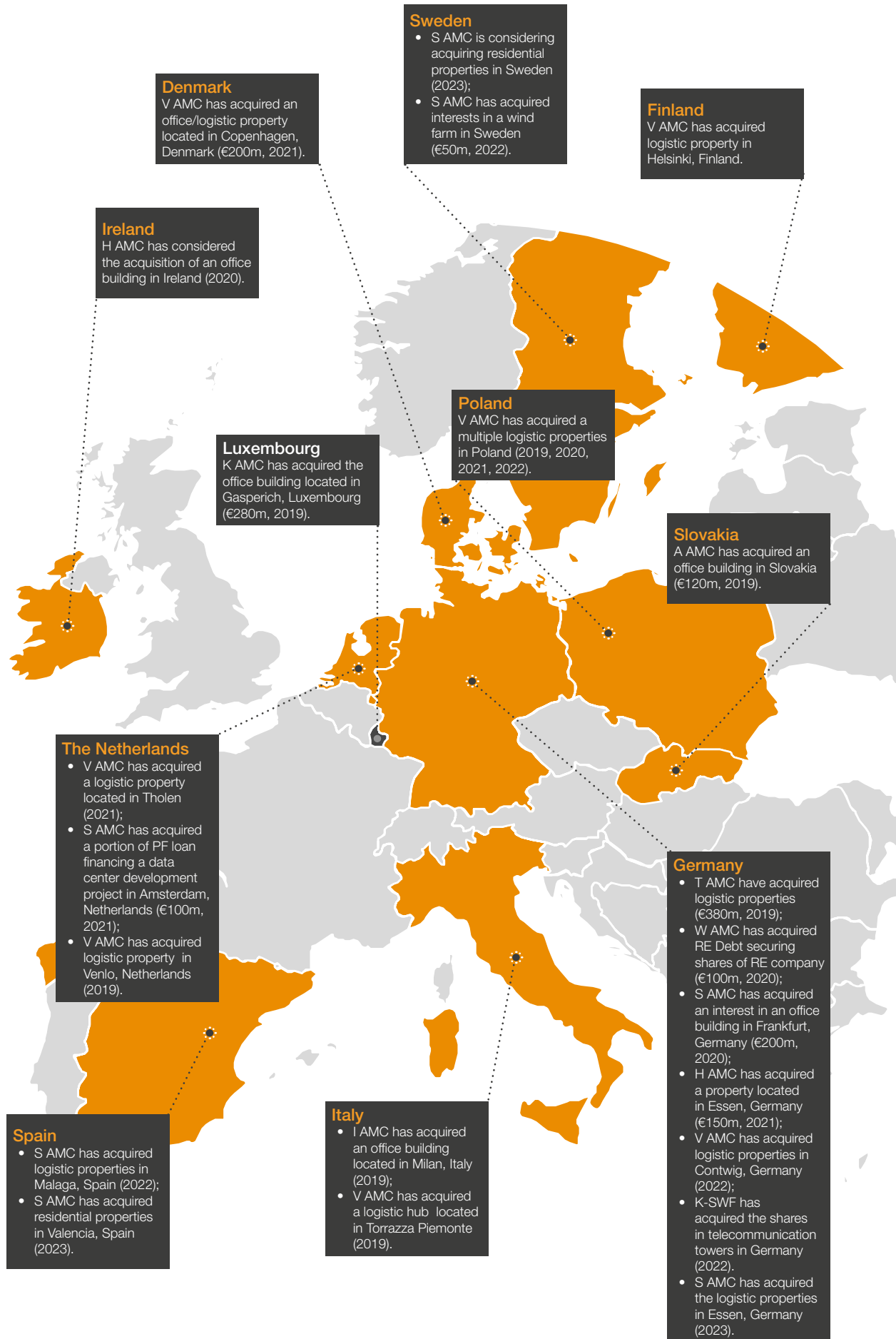
## Two-tier investment structure

### Who may consider this structure?

- A Korean fund or corporation investing in real estate in Europe and needing a blocker vehicle in Europe -> the blocker vehicle may be required in the target's jurisdiction as per its domestic law (i.e., Spain, Italy) or a Luxembourg holding company may directly hold the real estate.
- A Korean fund or corporation investing in Europe with co-investor(s) and needing a separate vehicle for the co-investor(s) -> diverse financing structure and allocation scheme can be sought.



# Our key credentials related to Korean investors in Europe



# Why PwC Luxembourg?

## Your worldwide trusted partner

As your trusted business partner, we are there to accompany you in your journey at all stages by providing you with the right services at the right time with PwC Korea.

01



Investments  
Strategy

02



Platform  
Structuring

03



Transaction  
Due  
Diligence

04



Managed  
Services

05



Tax  
Compliance

06



Transfer  
Pricing

07



Legal  
Services

08



Accounting  
Services

09



Assurance  
Services

\* In Luxembourg, legal services could also be provided with PwC Legal in Luxembourg and Seoul, independent law firms of the PwC Network.



### Locally

**3100** employees  
over **85** different  
countries

**9th** largest employer in  
Luxembourg



A firm with history of  
over:  
**150 years**

An international  
network composed  
of independent  
offices present in  
**152** countries and  
employing more than  
**328,000** persons

### Turnover

Financial year  
2021/2022:  
**543M€**



## Our services include managed services for Korean clients

|       | At the beginning of the investment   | Implementation of the structure  | During the holding period   | Exit  |
|-------|--|--|---|---|
| Tax   | <ul style="list-style-type: none"> <li>• Review of tax assumptions in the cash model;</li> <li>• Tax due diligence;</li> <li>• Tax structuring;</li> <li>• Coordination with PwC Korea and other European countries;</li> <li>• Review of investment-related documents (e.g. SPA);</li> <li>• Transfer pricing analysis (e.g. equity at risk, benchmarking, etc.);</li> <li>• DAC 6 analysis to assist Korean investors in reporting to Luxembourg tax authorities.</li> </ul> | <ul style="list-style-type: none"> <li>• Review of incorporation-related documents (e.g. by-laws).</li> </ul>                    | <ul style="list-style-type: none"> <li>• Tax compliances services (e.g. CIT, VAT, WHT, etc.);</li> <li>• Tax coordination in Europe-centralised coordination of tax obligations in Europe along with tax updates and structure testing in line with recent tax developments in Europe;</li> <li>• Refinancing and restructuring;</li> <li>• Ad-hoc tax advice;               <ul style="list-style-type: none"> <li>- the profit repatriation/ cash trap;</li> <li>- interest deductibility and ATAD II;</li> <li>- tax development in Europe relevant to the structure implemented.</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• Exit tax memo covering the tax implications applicable for the chosen exit strategy(ies).</li> </ul> |
| Audit | <ul style="list-style-type: none"> <li>• Consultation on GAAP/technical and reporting issues;</li> <li>• Overview of investment-related documents for reporting issues.</li> </ul>   | <ul style="list-style-type: none"> <li>• Review of transaction accounting;</li> <li>• Report on contribution in kind.</li> </ul> | <ul style="list-style-type: none"> <li>• Audit of financial statements (stand-alone or consolidated financial statements under IFRS as adopted by EU/Lux GAAP);</li> <li>• Attend annual board meetings to assist in the understanding of financial reporting and report audit findings;</li> <li>• Ad-hoc and limited reviews of companies.</li> </ul>   | <ul style="list-style-type: none"> <li>• Audit of the liquidation;</li> <li>• Audit of closing accounts in transactions.</li> </ul>           |

## Our services include managed services for Korean clients (continued)

|                         | At the beginning of the investment   | Implementation of the structure  | During the holding period   | Exit  |
|-------------------------|--|--|---|---|
| Legal*                  | <ul style="list-style-type: none"> <li>Drafting/review of investment-related documents (e.g. SPA);</li> <li>Negotiating and drafting complex shareholders' and joint ventures agreements.</li> </ul> | <ul style="list-style-type: none"> <li>Drafting/review of incorporation-related documents (e.g. by-laws);</li> <li>Assistance with the establishment of Luxembourg entities and discussion with Notary;</li> <li>Assistance with equity and debt funding.</li> </ul> | <ul style="list-style-type: none"> <li>Corporate housekeeping and company secretarial work;</li> <li>Corporate governance and general corporate compliance;</li> <li>Group restructurings;</li> <li>Resolving any post-closing or shareholders' disputes.</li> </ul>                      | <ul style="list-style-type: none"> <li>Insolvency proceedings - Winding up and liquidation;</li> <li>Drafting/review of post closing agreements.</li> </ul> |
| Other advisory services | <ul style="list-style-type: none"> <li>Financial due diligence;</li> <li>Review of estimated/closing accounts;</li> <li>SPA review.</li> </ul>   | <ul style="list-style-type: none"> <li>FATCA and CRS reporting obligations (e.g. registration, reporting, review of self-certification form, etc).</li> </ul>  | <ul style="list-style-type: none"> <li>Analysis of governance;</li> <li>Ensure company secretarial services are appropriate for Luxembourg and other European country requirements;</li> <li>Risk management dashboard - sustainability (e.g. climate change, ESG risk, etc.).</li> </ul> | <ul style="list-style-type: none"> <li>Follow-up of liquidation;</li> <li>Liquidator mandate.</li> </ul>  |

\*Legal services (except for the liquidator mandate provided by PwC, Société Coopérative) are rendered by PwC Legal SARL, an independent law firm registered with the Luxembourg Bar and member of the PwC Network.



# Your contacts

## Your Korean Business Team in Luxembourg

The PwC Luxembourg Korean Business Team is an integrated specialist team focused on and specifically supporting Korean investors investing in European alternative investments. The team works hand in hand with PwC Korea and travels regularly to Korea meeting with clients in person. With its Korean specialists, the team understands the cultural and transactional differences between Europe and Korea. We help and support Korean investors navigate in Europe and with their European investment opportunities.



**Thierry Braem**  
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**Thierry** has been with the Alternatives tax group of the Luxembourg firm for 15 years, having previously worked for four years in law firms in Paris.

Recent project work has involved the structuring of various European investments on behalf of Korean investors (asset managers and securities companies in Korea) and providing tax advice in cooperation and with the combined effort of PwC Korea.

Thierry has multiple exposures working closely with Korean clients on cross border European inbound acquisitions.

Thierry is French and frequently travels to Seoul on business trips.



**Kenneth Kai Siong Iek**  
**Asian Country  
Program Leader**  
Partner, Audit  
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**Kenneth** is a member of the Alternatives Industry Group. He is also the Real Estate Technical Partner and a member of the IFRS technical team in Luxembourg.

Kenneth leads the firm's Asian Country Program team assisting clients investing in Asia, including Korea, and assisting Asian clients investing in or distributing to Europe. He currently serves a number of Korean clients, their investment platforms and structures. He specialises in alternative investments, mezzanine loan financing and other traditional investments. He works closely with the firm's Regulatory practice and assists clients in fund set-up and AIFMD.

Kenneth is Malaysian and has worked in PwC Luxembourg for over 23 years.





**BumKi Lee**  
**Senior Manager, Tax**  
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**BumKi** has over four years of experience in tax structuring and global tax consulting at PwC Luxembourg.

Prior to joining PwC Luxembourg, for over seven years, BumKi has been providing cross-border tax advisory services to clients in the financial sectors at PwC Korea, such as asset management companies, securities companies, private equity funds, institutional investors, banks, sovereign wealth funds, operating companies, and government-sponsored entities.

Besides the meetings frequently organised in London/Luxembourg, BumKi regularly travels to Korea to meet clients. Having extensive tax knowledge and working experience with Korean investors, BumKi provides tax advice and updates on European tax matters.



**Minjin Cho**  
**Director, Audit**  
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**Minjin** has been with PwC Luxembourg for over eight years and specialises in the alternatives industry. She previously worked with PwC Singapore for four years in the banking and capital markets industries.

Minjin is experienced in managing global real estate reporting and currently serves a number of Korean investors and their related structures.

She also oversees various real estate structures managed by major asset management companies from Asia, US and Europe.

As a Korean, Minjin helps to address and resolve matters directly with her Korean clients via conference calls and client meetings, including attending management or board meetings. She travels to Seoul to meet with clients on a regular basis.

# Your Alternative Investment Core Team in Korea

PwC is well known for its global network and cross border coordination work taking into account the cultural, legal, and transactional differences arising in each country. PwC holds local and global real estate conferences on a regular basis in Korea and Asia to create business opportunities for our clients and to allow us to work closely with our key network contacts.

**Sang Min** is a senior partner in the deal business team at Samil PwC where he specialises in domestic and international alternative investments including, but not limited to Infrastructure, Power & Renewable Energy, Corporate M&A, Real Estate and Aviation Finance. He also serves as a market leader for the entire alternative investment practice within the deal team at Samil PwC.

His professional coverage includes valuation, feasibility studies, financial due diligence and investment/financial advisory for a wide spectrum of Korean clients including but not limited to sovereign pension and mutual funds, insurance companies, banks, asset management companies and other major financial institutions. Sang Min has been with Samil PwC for over 23 years and is a Certified Public Accountant of Korea.



**Sang Min Lee (Korea)**  
**Alternative Investment**  
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**Partner, Advisory**  
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**Si-Joon** is a partner in the Global Tax Services team at Samil Accounting Firm, where he specialises in advising large Korean companies on overseas taxation. He also provides a wide range of Korean tax advice to Korean companies, including tax audits, claims, and general tax advice, and has provided comprehensive tax advice covering both Korean and overseas taxation.

In particular, he successfully led large-scale projects during his secondment to PwC's New York office from 2017 to 2019, and as a member of the International Tax Desk, he has a broad understanding and network of contacts in various countries' tax systems.

He has successfully advised a number of Korean conglomerates, including Samsung Electronics, SK Hynix, CJ CheilJedang, POSCO, SK Innovation, and Hyundai Heavy Industries, on overseas investment advisory and M&A-related tax matters, and large Korean asset managers on the taxation of acquisitions of overseas entities.



**Si-Joon Sung (Korea)**  
**Partner, Tax**  
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**Jae Hun** has been with Samil PwC (Korea) for over 18 years and specialises in assurance service for Hyundai and Samsung group as well as foreign invested companies in Korea. He previously worked with PwC Singapore for two years in the Korean company business center.

As a group relationship partner for HD Hyundai Heavy industry Group (Shipbuilding global no1, Refinery, Chemical, Construction Equipment and Medical), working closely with PwC Global (The company has a lot of overseas companies worldwide).

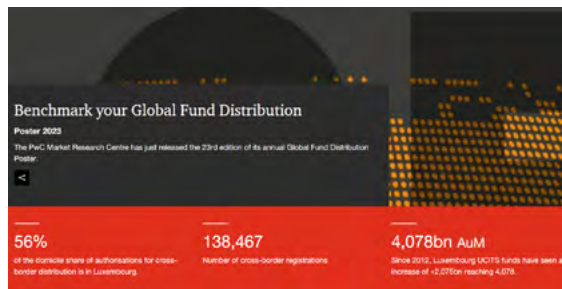


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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com) and [www.pwc.lu](http://www.pwc.lu).

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