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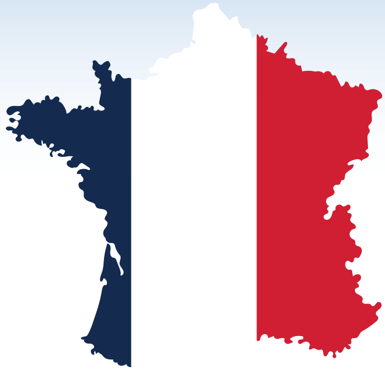

French special limited partnership (*société de libre partenariat spéciale*)

Ordinance No. 2024-662 of July 3, 2024, introduced a new form of French limited partnership (*société de libre partenariat,* "SLP") without legal personality: the French special limited partnership *(société de libre partenariat spéciale*, "SLPS"), designed to allow investors outside the European Union to invest in companies benefiting from the tax transparency system. The semi tax transparent regime of SLPS has been defined by the 2025 Finance Act.

In order to make France more competitive in the international investment funds market, Law No. 2015-990 dated August 6, 2015 introduced the SLP. The SLP is a flexible and attractive alternative investment fund structure comparable to those found in other jurisdictions, such as U.S. or U.K. limited partnerships, or the Luxembourg special partnership. But vis-à-vis foreign investors, the SLP tax attractiveness is reduced by the fact that it does have legal personality.

To address this shortcoming, the French legislator has introduced in 2024 the SLPS, which does not have legal personality.

The SLPS, reserved for professional investors, is also established as a limited partnership. Unless otherwise provided, the legal regime applicable to the SLP also applies to the SLPS.

The SLPS does not have legal personality but must be registered with the Trade and Companies Register. From the date of registration, the commitments entered into by the SLPS prior to registration are deemed to have been made by the fund itself.

The SLPS is an original vehicle in that, not having legal personality, its assets are pooled into a common fund (la masse commune) consisting of assets provided by the partners and those acquired during the company's existence.

The manager administers this common pool in the interest of the partners and within the limits set by the articles of association.

The SLPS must have at least two types of partners: a general partner and a limited partner.

General partners are considered merchants and are jointly and severally liable for the partnership's debts.

Any natural person, legal entity, or entity authorized by the articles of association may be a general partner in an SLP. This category includes entities without legal personality, such as FCPs or other groupings. It should be noted that the general partner is not required to be a professional investor, which distinguishes the SLP from other AIFs.

The limited partners are only liable for the debts and liabilities related to the administration of the common pool and the operation of the SLPS, limited to the amount of their interests in the common pool.

From a tax perspective, the 2025 Finance Act has extended to the SLPS the same tax regime that applies to SLPs. Therefore, SLPSs, like SLPs, are treated as professional private equity funds (FPCIs) established in the form of mutual funds and benefit from a semi-transparent tax regime.

In a nutshell, the SLPS is not subject to corporate income tax in France on its profits.

Due to its assimilation to FPCIs, partners of the SLPS are only taxed upon distributions made by the SLPS (subject, for French investors in funds that do not qualify as "fiscal funds", to a potential early taxation of unrealized gains under the "mark-to-market" rule of Article 209-0 A of the CGI).

In addition, the SLPS may offer tax advantages to French investors if (i) it meets certain investment quota requirements and (ii) the investors make certain commitments ("Fiscal Fund").

Non-resident investors in the SLPS are exempt from taxation in France on distributions of assets and capital gains on the SLPS shares provided they hold, directly or indirectly, less than 25% of the company's rights (subject to capital gains of a real estate nature). As far as foreign source income is concerned, the absence of legal personality of the SLPS may, in some cases, support the application of a tax transparency treatment in the investors' country of residence, thereby allowing the application of the tax treaty with the source country.

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