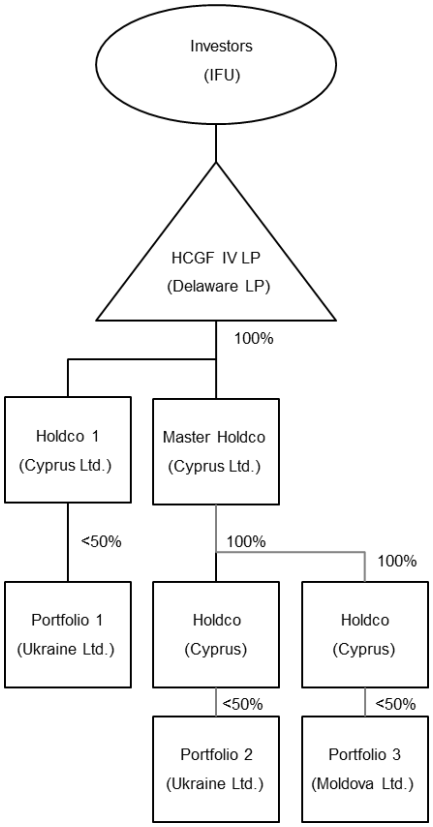
TAX ROOM

Analytical Thinking Clear Answers

Tax policy compliance statement for HCGF IV LP

1. Contemplated investment structure



IFU will be providing finance for Horizon Capital Growth Fund IV, LP (the Fund) being a Ukraine and Moldova focused private equity fund engaged in the tech industry. IFU's investment is in common equity in a US tax transparent fund vehicle having delegated the fund management and investment advisory functions to a US based fund manager and a US based advisory company having a Ukraine wholly owned subsidiary. The capital is anticipated to be deployed as equity or quasi equity into small-medium sized companies primarily located in Ukraine.

2. Compliance with IFU's tax policy

The investment structure and the Fund's approach in respect of responsible tax behavior have been subject to due diligence and based on the facts and circumstances made available, TaxRoom is of the opinion that the investment structure complies with IFU's tax policy for the following main reasons:

- The established investment structure is usual and not tax motivated.
- The Fund is tax transparent from a Danish and US tax perspective and has no tax impact on the investments to be made or in respect of the investment return generated.
- The Fund intends to establish a Cyprus holding company investment platform to hold the investments in Ukraine and Moldova.
- Investing through a holding company structure is commercially and legally motivated as Ukraine and Moldova is not in its legislation familiar with the limited partnership concept and investing directly from the Fund entity creates legally uncertainty and is for that reason not an option.
- The Fund's preference in favor of Cyprus as jurisdiction for the holding company investment platform is viewed to be commercially motivated (same time zone, education, English law, cost efficiency, European market access and flexible exit structures).
- The substance established in Cyprus is in compliance with Cyprus law and the holding companies are viewed to be tax treaty eligible holding companies.
- The Fund has considered to establish the holding companies in the US (same jurisdiction as the Fund, fund manager, and investment advisor) and the tax treaty between US and Ukraine is even better compared to the tax treaty between Ukraine and Cyprus, but having US holding companies would not provide for the same time zone which is important when having closing on transactions and would also not provide access to the European market.
- The Fund is subject to a tax policy having no material conflicts when compared to IFU's tax policy.
- The Fund has signed up to adhering to OECD BEPS, including the Principal Purpose Test.
- The US and Cyprus are not listed on EU's blacklist for non-cooperative jurisdictions and are rated to be largely compliant by OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes.

3. Disclosure, cf. EU Directive 2018/822/EU

The equity investment in the Fund should not be subject to disclosure under the EU DAC 6 Directive as the listed hallmarks for triggering a disclosure obligation are not met for this transaction.

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