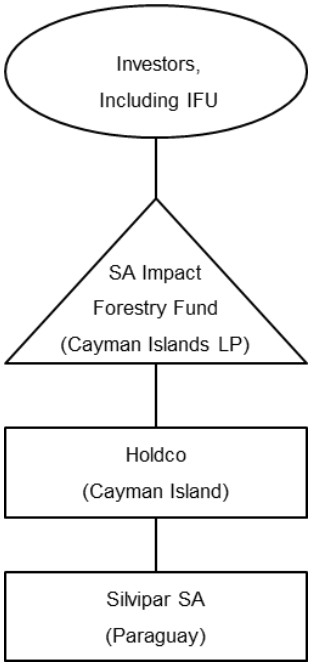
# Tax policy compliance statement for SA Impact Forestry Fund LP, Cayman Islands

## 1. Contemplated investment structure




IFU will be providing finance for a forest fund focusing on certified forest development and sustainable food systems. The fund named SA Impact Forestry Fund (the Fund) is targeting acquisitions of degraded cattle-grazing land to be converted into a sustainable and profitable FSC certified forestry portfolio. IFU's investment is in common equity in a Cayman Islands tax transparent fund vehicle having delegated the investment advisory functions to a UK private equity advisor and a Swedish forest portfolio manager. The investments to be made by the Fund is likely only to be in Paraguay where the Fund already has acquired app. 60,000 ha of land.

## 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 and the Fund comply with IFU's tax policy for the following main reasons:

- The Fund structure established is usual and not tax motivated.
- The Cayman Islands Fund entity and Cayman Islands Holdco entity have been preferred for legal and investor concern considerations.
- The Fund is tax transparent from a Cayman Islands and Danish tax perspective and has no tax impact on the investments to be made or in respect of the investment return generated.
- The Fund complies with FATCA and CRS reporting obligations.
- The Fund will comply with IFU's tax policy in respect of restricted jurisdictions.
- The Fund will only participate in investment structures and tax practices that are considered usual and do not work against the spirit of the law or OECD BEPS.
- The investment from the Fund via Holdco to Paraguayan portfolio company is pure equity.
- The Paraguayan portfolio company is subject to Paraguayan corporate income tax.
- The Paraguayan portfolio company may be subject to withholding tax exemption, but this is not based on tax treaties but due to internal Paraguayan withholding tax exemption regimes.
- The management company of the Fund has accepted that all material internal transactions being controlled by the Fund like e.g. sale of carbon credit certificates will be carried out in accordance with the terms and conditions set out in a transfer pricing analysis carried out by a Paraguayan reputable tax advisor.
- The Cayman Islands Holdco makes it possible to indirectly dispose of the Paraguayan portfolio company exempt from Paraguayan capital gain tax. This capital gain tax exemption is applying to all indirect share transfers of Paraguayan portfolio companies and is not a tax treaty-based benefit but obtained because of domestic Paraguayan tax rules. Internationally it is normal not to tax capital gains on shares in connection with indirect transfers so nothing unusual with the position in Paraguay.
- No tax treaty benefits are expected to be claimed but to the extent it becomes relevant anyway they can only be claimed by holding companies meeting the OECED BEPS substance requirements nevertheless of OECD BEPS being implemented or not in the involved jurisdictions.
- Cayman Islands is not listed on EU's blacklist for non-cooperative jurisdictions and as per 16 January 2024 Cayman Islands is 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 required for triggering a disclosure obligation are not met for this transaction because of the main benefit purpose test.

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