

DOING BUSINESS: **WHY LUXEMBOURG?**

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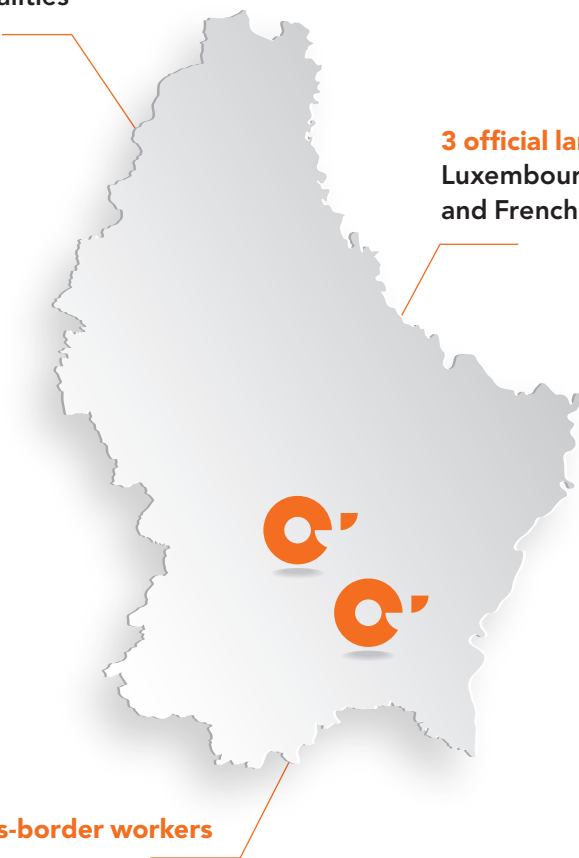


THE COUNTRY AT A GLANCE

645,000 residents
of whom 47.5% are foreigners
of 175 nationalities

3 official languages :
Luxembourgish, German
and French

222,000 cross-border workers
(Nov. 2022)¹



1. In the heart of Europe

Small in size but with a dynamic economy and a renowned quality of life, the Grand Duchy of Luxembourg shares a 148 km border with Belgium (to the west), 138 km with Germany (to the east) and 73 km with France (to the south). Located in the heart of Western Europe, Luxembourg offers an ideal location due of its excellent road connectivity and highly developed logistics infrastructure.

2. Luxembourg City: European capital, international financial centre

Alongside Strasbourg and Brussels, Luxembourg City is home to many European institutions: European Court of Justice, European Investment Bank, Court of Auditors, European Stability Mechanism, European Prosecutor's Office, European Parliament, European Commission, etc.

Luxembourg is one of the largest financial centres in the world, mainly in the fund sector (1st in Europe and 2nd in the world with 57 % of world market share, 125+ banks, etc.).



THE COUNTRY AT A GLANCE

3. Political system in favour of integration

The country's political system is a constitutional monarchy with a Parliament and a Grand Duke as head of state. Legislative powers are vested in the 60-member Chamber of Deputies elected by universal suffrage for 5 years. The Prime Minister is appointed by the Grand Duke from among the parties forming a majority in the Chamber to lead the government.

Luxembourg is the smallest founding member of the EU, the Eurozone, NATO, OECD, UN, OSCE and the Benelux countries. Foreigners who have been resident in the country for more than 5 years can vote in local and European elections.

4. Economic dynamism and innovation

Luxembourg's open and internationalised economy makes it one of the richest and most prosperous countries, with one of the highest per capita GDPs in the world. Its policy makes it particularly dynamic and reliable for business.

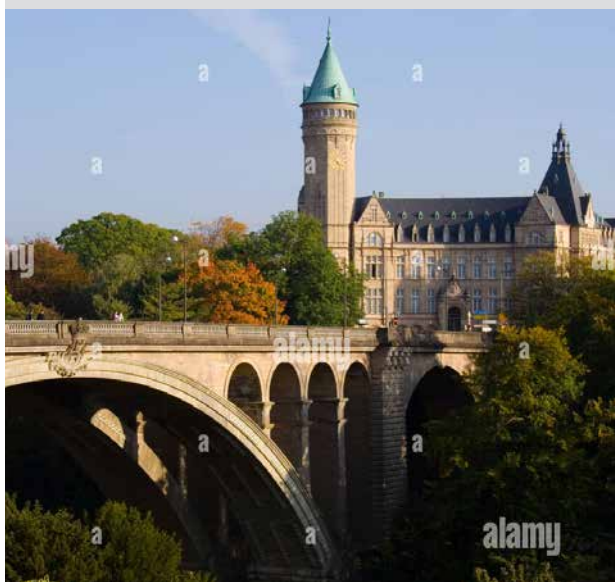
Dans le Top 25 des comparatifs internationaux de compétitivité²

- Diverse and stable economy, rated AAA (top 10 worldwide)
- Average annual growth of 3.4% in GDP and 3% in employment over the past 20 years
- Skilled and multilingual workforce (>80% of residents speak three or more languages)
- 479,000 employees and 4.9% unemployment rate (Nov. 2022)³
- Highest proportion of non-national EU citizens
- Export of goods and services >65%.
- Public debt to GDP ratio of 26.5
- 11th most skilled English-speaking country in the world⁴

Business-friendly policy, digital economy, innovation and research

- 3rd out of 131 countries in terms of political stability⁵
- 1st worldwide in cross-border fund distribution (58% of global total)⁶
- 2nd largest investment fund centre in the world and 1st in Europe (€5.9 trillion in assets under management)⁷
- 6th in Europe for air freight and in the world's top 10 all-cargo operators
- Highest density of Tier IV data centres in Europe
- 1st in the world for attracting talent⁸
- Best environment for start-ups⁹
- 2nd in Logistics Performance Index¹⁰
- Clusters for priority sectors: fintech, automotive, biotech, biomedicine, space, ICT, maritime, etc.
- Meluxina, 10 petaflops supercomputer
- Public university (7,000 students from 130 countries)





THE COUNTRY AT A GLANCE

Global financial centre¹¹

As the fifth largest financial centre in the EU ¹², Luxembourg is among the top five green financial centres in the world¹³. It is an operational hub for many international financial institutions with a wide range of financial services connecting investors and markets worldwide.

125 international banks from 26 countries enjoy a unique ecosystem dedicated to the banking sector, consisting of a variety of service providers, such as investment services, fintechs, asset managers, family offices, as well as external asset managers, listing companies and international central securities depositories (post-trade services).

Luxembourg-domiciled investment funds are located in over 80 countries with a particular focus on Europe, Asia, Latin America and the Middle East. The Grand Duchy offers extensive international expertise with a wide range of investment vehicles: UCITS (Undertakings for Collective Investment in Transferable Securities) for retail and institutional investors, SIFs (specialised investment funds), SICARs (venture capital investment companies), UCIs (Undertakings for Collective Investment) or FIARs, dedicated alternative investment funds.

Luxembourg is also home to 85 insurance companies and 194 reinsurance companies by virtue of its high quality regulatory framework, high level of investor protection and sophisticated wealth management tools for life insurance products.

Luxembourg's capital markets infrastructure is ideal for financing the European and global activities of companies of any size. Luxembourg is a leader in international stock exchange listings and the world's leading exchange for green finance.

Luxembourg is actively engaged in sustainable finance being home to nearly one third of the world's European microfinance funds representing more than 50% of global microfinance assets under management.¹⁵.

Presence of major foreign companies

Seduced by its attractiveness and its assets, many renowned multinational companies have chosen to set up in the Grand Duchy: ArcelorMittal, Goodyear, DuPont de Nemours, Delphi, RTL Group, SES Astra, Skype, PayPal, eBay, Amazon, Paypal, Rakuten, Microsoft, BT, etc. Recently, Google announced a data centre project in the north of the country.

STARTING A BUSINESS IN LUXEMBOURG



1. Business permit



2. Legal form



3. Creation process



4. Employment



5. Financing and support measures



6. Taxation



7. Value Added Tax



8. Social security



9. Intellectual property

STARTING A BUSINESS IN LUXEMBOURG



1. Business permit

In order to settle in Luxembourg, a company must obtain the necessary government authorisations. Commercial, craft and industrial activities as well as certain professions are subject to a business permit.

Once authorised, companies must register with the Trade Register, the Joint Social Security Centre and the tax authorities.

Commercial activities

In order to obtain authorisations from the Ministry of the Economy for a regular and lasting commercial activity in Luxembourg, applicants must demonstrate that their company has a fixed physical establishment in Luxembourg. They must also meet certain conditions related to their qualifications and professional integrity. The required qualifications depend on the nature of the activity and may sometimes need specific professional qualifications or even recognised university degrees.

Other regulated activities

Some activities are regulated and require additional qualifications and licences. Health professions, lawyers, auditors, accountants, etc. are regulated by specific ministries or professional bodies. Financial institutions and fintech companies are regulated by the Financial Sector Supervisory Commission (Commission de surveillance du secteur financier (CSSF)).



2. Legal form

Sole proprietorship

Setting up a sole proprietorship implies setting up a business as a natural person instead of creating a separate legal entity. It implies more flexibility, less administrative procedures and set-up costs, but more risk as there is no distinction between private and commercial life.

Companies

To reduce risks, many entrepreneurs choose to set up a company that offers a strict separation between their personal and business ownership. In this case, the liability of the partners is limited to the amount of their contributions. Corporations are also impersonal and rely mainly on the capital provided by the partners.

STARTING A BUSINESS IN LUXEMBOURG

The most common forms of joint stock companies are the following :

An SA (public limited company) is established by notarial deed. The minimum capital of 30,000 € must be fully subscribed and at least 25 % (7,500 €) paid up at the time of incorporation. The SA allows new shareholders to join the company and provides access to capital markets. The management of a public limited company may be carried out by a Board of Directors or by a management supervised by a Supervisory Board. There is no limit to the number of shareholders. Shares can be registered, bearer or dematerialised.

An SARL (limited liability company) must be established by notarial deed with a minimum capital of 12,000 € fully subscribed and paid up at the time of incorporation. The initial shareholders of the SARL have more control over the ownership of their shares because these shares cannot be traded freely. The number of shareholders is

limited to 100. Shareholders are liable for debts to the extent of their capital contribution. The management structure is very flexible.

An SARL-S (simplified limited liability company) can only be set up for the purpose of a commercial activity and can only be set up by a natural person who holds a business permit issued by the Ministry of the Economy. A SARL-S can be set up under private seal with a minimum capital of between 1€ and 12,000 € fully subscribed at the time of creation.

There are also other interesting vehicles such as general partnerships (SNC), limited partnerships (SCS), special limited partnerships (SCSp), limited partnerships with shares (SCA), family asset management companies (SPF) and securitisation companies.

3. Creation process

The main steps in setting up a business are as follows:

- Preliminary steps
 - Identification of beneficial owners
 - Checking the availability of the name with the Trade Registry
 - Opening a bank account
 - Subscription of capital
 - Letter of commitment from directors
- Preparation of articles of association
- Preparation of delegation of powers
- Formal incorporation of the company (at the notary's office when required)
- Filing with the Trade Register, the Register of Beneficial Owners and the Registration Duties, Estates and VAT Authority





4. Employment

Labour relations are governed by:

- The Labour Code
- The employment contract (fixed-term or open-ended) containing at least the identity of the parties, start and end dates, daily or weekly working hours, the basis of remuneration, the duration of holidays, the period of notice, the probation period, if any, and extra-legal benefits
- The collective agreements applicable to the company's sector of activity

The normal (and maximum) working time is 8 hours per day and 40 hours per week. Overtime may not exceed 2 hours per day with a maximum of 10 hours per month. A weekly rest period of 44 consecutive hours must be provided.

Employees' remuneration cannot be less than the social minimum wage (SMW) for unskilled workers and 120% of SMW for skilled workers.

It is compulsory for companies with more than 15 employees to have a staff delegation, the members of which are elected every five years in social elections.



5. Financing and support measures

Companies setting up in Luxembourg may benefit from support measures to expand their activities, develop innovative products and strengthen their competitiveness.

- Support for SME investment projects
- Subsidies for R&D and innovation projects
- Support measures for young companies
- Research and training for doctoral and post-doctoral students (Training and Research Assistance)



6. Taxation

In the context of international competition, Luxembourg is well aware that tax policy is an important factor in attracting companies to its territory.

Taking into account all the various taxes and contributions, the maximum effective tax rate for a company is 24.94%¹⁶. This rate corresponds to the 17% «community income tax» (CIT), the 7% contribution to the Employment Fund and the commercial tax (MBT) set by each municipality.

Companies may benefit from numerous tax reduction measures, for example to finance their investments. Under certain conditions, certain income such as income from parent companies, income exempted from double taxation under bilateral agreements, dividends, may be exempted from withholding tax. In addition, companies whose taxable income does not exceed 175,000 € are subject to a standard overall rate of 22.80%.



7. Value Added Tax

The standard VAT rate of 17% is the lowest in the EU. There is also an intermediate rate of 14% on advertising, alcohol, fuel, custody fees, securities management, and a reduced rate of 8% on gas, electricity, clothing, and a «super-reduced» rate of 3% on most food products and on restaurants, books, medicines and certain housing creation or renovation works. For 2023, the government has lowered all rates by 1%, except for the super-reduced rate of 3%.

VAT must be paid monthly, quarterly or annually, depending on turnover. The annual VAT return must be submitted by 1 March.

A housing VAT rate of 3% may be applied to the acquisition of the main residence and to renovation works.



8. Social security

The social security system in Luxembourg covers the risks of sickness, maternity, disability, death, age and accidents, both in private life and in the workplace. All companies must submit an operating declaration and a declaration of entry into service to the Joint Social Security Centre (CCSS), which handles social data, registration of affiliations and collection of contributions for the various insurance funds.

Social security contribution:

- For employees: between 12.29% and 14.92% (employer's share) of gross salary plus 12.20% to 12.45% (employee's share).
- For self-employed persons: between 24.99% and 27.37% of gross pay



9. Intellectual property

The effective use of intellectual property rights can help SMEs compete with large companies. Intellectual property offers potential in terms of legal protection, technical information and competitive advantage. Intellectual property consists of two components :

- Industrial property (patents, trademarks, designs)
- Literary and artistic property (copyright and related rights)

Tools have been created to encourage companies to invest in intellectual property and to cover the costs associated with obtaining an intellectual property title, such as procedures, taxes, but also consultancy, advice or prior art searches.

LIVING IN LUXEMBOURG



1. Quality of life

With its efficient health and social security system, attractive salaries and outstanding beauty of its nature, Luxembourg is a dynamic and pleasant place to live and work. Its educational system offers a wide choice of multilingual schools and a wide selection of state-

subsidised fee-paying schools to cater for the needs of the growing expatriate community. In terms of mobility, Luxembourg has become the first country in the world to make all public transport free of charge.

2. Residence permit

Nationals of non-EEA countries (EU, Iceland, Norway, Liechtenstein, and Switzerland) who intend to settle in

Luxembourg must apply to the Ministry of Foreign Affairs for a residence permit before entering the country.

3. Income tax

The personal income tax rate is one of the lowest in Europe, especially for couples. Income tax is based on 23 progressive groups with a top marginal tax rate of 42%.

Tax base

Resident married persons or partners (under certain conditions) are generally taxed collectively unless they have specifically requested to be taxed separately. Non-resident taxpayers are taxed by default under class 1 (single) unless they qualify for class 2 (married couples).

Tax returns must be filed by the end of March following the year of income. Taxable income is income from salaried employment or self-employment, dividends, interest and other capital income, pensions, annuities, business income, forestry or agricultural income.



LIVING IN LUXEMBOURG

Personal income tax rates (2022)

Rate	Income (€)
0%	0 € - 11,265 €
8-39%	11,265 € – 101,101 €
40%	100,002 € - 150,000 €
41%	150,001 € - 200,004 €
42%	> 200,005 €

Deductibles

- **Interest on debts:** 672 € per year and per person in the household
- **Pension insurance:** 3,200 € per year and per subscriber
- **Divorce:**
 - Compensatory benefits to spouse 24,000 € per year
 - Child benefit: 4,020 € per year per child
- **Other expenses:** custody fees, mortgage interest, home purchase savings scheme, donations.

4. Inheritance tax

There is no inheritance tax for direct line inheritance. For other degrees of kinship, taxes range from zero to 48%. Taxes on donations range from 1.8% to 14.4%.

5. Social security

The employees' share of the social security contribution is between 12.20% and 12.45%.

OMNITRUST, OPERATIONAL FACILITATOR

Founded in 1993, **Omnitrust** aims to provide fiduciary services in a new and personalized way not only to large companies, but also to small and medium enterprises. With a wealth of experience developed with large firms and professionals in the financial sector, its multilingual and multicultural staff brings its expertise to the different sectors of activity of its clients, private equity, real estate, corporate, SMEs, family office, etc.

Omnitrust facilitates business projects, from the concept and theoretical business plan to the operational start-up and daily management. Much more than an accounting expertise, **Omnitrust** provides end-to-end services and puts its local and international professional network at the disposal of local and foreign entrepreneurs.

Luxembourg
office

Bivange
office

1. Setting-up in Luxembourg


- Formalities for setting up a company
- Assistance in obtaining authorisations
- Business plan and strategic marketing
- Governance and directorships
- Intermediation
- Office search
- Search for financing and support programmes
- Domiciliation
- Relocation

2. Operational management

- Accounting and bookkeeping
- Tax return, VAT, etc.
- Company secretarial work
- Wage management
- Provision of personnel
- Operational marketing
- AML, GDPR, ESG compliance

3. Steering tools and growth support

- Financial advice
- Management control
- Forecasting dashboards
- Sector performance
- Company acquisition
- Implementation of internal processes
- Regulatory and legal monitoring

Omnitrust is a member of Kreston International, a global consulting and accounting network present in 120 countries 

- ¹ Statec
- ² WEF, IMD. Commission Européenne
- ³ Statec
- ⁴ EF English Proficiency Index (2020)
- ⁵ Cornell University, INSEAD & WIPO (2020)
- ⁶ PwC Global Fund Distribution (2022)
- ⁷ CSSF (2022)
- ⁸ INSEAD (2021)
- ⁹ Cisco (2019)
- ¹⁰ Banque Mondiale
- ¹¹ Luxembourg for Finance
- ¹² Global Financial Centres Index 30
- ¹³ Global Green Financial Index 8
- ¹⁴ Commissariat aux Assurances, June 2021
- ¹⁵ Directorate for Development Cooperation and Humanitarian Affairs, April 2020
- ¹⁶ Based on 6,75 % MBT (commercial tax) for the City of Luxembourg