



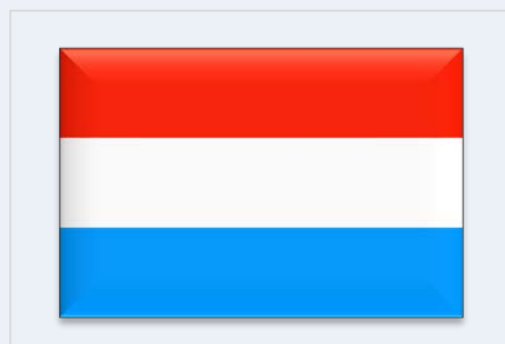
商業信託  
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## Country Profile: Luxembourg

## The Facts

Location	Western Europe, between Belgium, France and Germany
Languages	3 Official languages – French, German and Luxembourgish
Nationality	Luxembourg
Religions	Roman Catholic – 87% Others – 13%
Government	Constitutional Monarchy
Head of Government	Prime Minister
Legislature	The Government and the Parliament
Constitutional Document	The Constitution of Luxembourg
Economy	Luxembourg's economy is dependent on banking, steel and industrial sectors. Luxembourg has an extensive banking industry due to its bank secrecy laws. In addition, as one of the offshore tax havens, Luxembourg is specialized in the cross-border fund administration business. It also offers offshore insurance, investment fund management and the registration of ships and vessels.
Currency	Euro (EUR)
GDP (2011)	Total – EUR 44.54 billion Per capita – EUR 86,540 Real GDP growth – +1.0%
Population	509,100 (approx.)
Percentage of population	Luxembourger – 63.1% Portuguese – 13.3% French – 4.5% Italian – 4.3% Others – 14.8%
Area	2,586 km <sup>2</sup>
Time zone	CET (UTC+1) CEST (UTC+2)
Public Holidays	General holidays – 11
Climate	Temperate, mild winters and cool summers



Sources: Luxembourg for business, International Monetary Fund, Central Intelligence Agency

## Luxembourg

A founder member of the European Union and one of the wealthiest countries in terms of GDP, Luxembourg offers a tax friendly environment for investors. With state of the art infrastructure, transparent legal and regulatory framework and a central European location that acts as gateway to various markets, Luxembourg is regarded as an extraordinary place to do business. Supporting its geographical location are its skilled labor force, access to government bodies, high returns on investment and economic openness. According to the International Competitive Index, Luxembourg has consistently ranked among the top competitive nations for doing business.

## The Luxembourg Business Climate

According to a study by the International Competitive Index, Luxembourg was ranked 9<sup>th</sup> in terms of competitiveness. In addition, it was ranked 3<sup>rd</sup> in terms of economic freedom and 1<sup>st</sup> in terms of being the least risky place to do business. Not only this, when it came to quality of life, it was ranked 4<sup>th</sup> overall. Many years ago, a host of multinationals (Goodyear, Arcelor, etc.) chose to set up their business in Luxembourg and the results of their initiative proved to be more than satisfactory, prompting others to follow the same path. Being part of the world's biggest monetary union, the EU, Luxembourg has successfully prompted businesses from diverse sectors to invest in its market. Here are some of the highlights of doing business in Luxembourg:

- **Strategic business location:** Residing in the heart of Europe, the country lies in the area of most proactive development in Europe (Blue Banana). Luxembourg gives businesses access to not only European but also overseas markets.
- **Excellent infrastructure:** From banking, trade and transport to telecommunications, Luxembourg not only maintains excellent infrastructure but also offers a friendly business climate.
- **Neutral tax and political climate:** The Luxembourg government offers a neutral tax climate for corporate, as well as economic freedom and a conducive political climate.
- **Skilled workforce:** Luxembourg workforce is composed of the local European population (Italian, Spanish, British, etc.). Its strong workforce of five million employees and workers is not only qualified but also possesses multi-lingual capabilities.

The popularity of Luxembourg as an investment location is illustrated by the fact that 35,000 companies have already established their business presence in the location. And with the growth index glowing in the positive, rest assured there are many more investors in the pipeline.



## Setting Up a Business in Luxembourg

Any individual or company that wishes to establish its business presence in Luxembourg must obtain a business permit according to the law of Luxembourg. The permit is available from the Ministry of Middle Classes, where you have to provide evidence of your qualification as well as financial standing. You also have to become a member of the Luxembourg Chamber of Commerce for the same purpose. However, if you are setting up business as an individual as opposed to a company, there is no need to register with the Luxembourg Chamber of Commerce. A company in Luxembourg is also required to hold a registered office and a bank account for the incorporation procedure. The steps that need to be followed for the formation of a company in Luxembourg include:

- **Depositing the minimum capital requirement:** The first step in the incorporation of a company is the provision of the company name and setting up a bank account, in which the minimum capital requirement of €12,400 should be deposited. The uniqueness of the company name is then verified with the Trade and Companies Register.
- **Drafting of company deed by notary:** The company has to be incorporated before a notary. A notary drafts a deed based on articles of incorporation. The company is required to pay the notary in advance for the estimated costs.
- **Apply for a business license:** The company must submit the following documents to apply for a business license:
  1. completed application form
  2. articles of association
  3. certificate of non-bankruptcy
  4. identity documents
  5. financial statementsAll these documents have to be submitted to the Ministry of Middle Classes.
- **Register with commercial register:** Within four weeks of incorporation, the notary must register the company with tax authorities and the commercial register. The commercial register then presents the company with a tax number, VAT number and social security number.

## Requirements for Company Formation

Some of the requirements that have to be fulfilled for establishing a company in Luxembourg are:

- Person of any nationality can be a shareholder or director in the company
- Shareholders can be both natural persons or legal entities
- The company must hold a registered office
- The company must obtain a bank account and inject minimum capital requirement of €12,500



## Legal Forms of Doing business in Luxembourg

The Luxembourg Corporate Legislation defines six legal forms of doing business in the nation. Each of these forms is different from the others in terms of legal and regulatory requirements. The choice of a particular form depends on the economic consideration, extent of the member liability and many other factors. The six legal forms of doing business in Luxembourg are:

- Limited liability company
- Joint stock company
- SOPARFI
- General partnership
- Limited partnership
- Partnership limited by shares

Any foreign company in Luxembourg is also liable to set up branch entities. These can be established as separate entities from the parent company.

### Limited Liability Company

This legal form is most widely used by investors in Luxembourg. The regulations that need to be fulfilled for the establishment of a limited liability company include:

- Shareholders must present minimum capital requirement of €12,400, divided into participation certificates
- The company can have a maximum of 40 shareholders
- Partners are liable for the company's debt only to the extent of their contribution to company's capital
- The company must include at least three directors
- The company must hold a registered office in Luxembourg

### Joint Stock Company

This legal form is designed for companies operating on a large scale and is regulated by the Commercial Companies Law of 1915. Here are the mandatory regulations that need to be fulfilled for its establishment:

- Partners must provide a capital of €1,000, divided into transferable shares
- The company has to be formed by two members who can be non-residents or residents, legal entities or individuals
- Shareholders can be anonymous and their liability is limited to their respective contribution to the company's capital
- The company requires at least three directors
- The company must hold a registered office in Luxembourg

## SOPARFI

The Law of Luxembourg allows for the incorporation of a unique type of entity called SOPARFI (Societe de participations financiers). Investors consider this form as a pliable investment that allows for benefits under double taxation treaties. The mandatory regulations that need to be followed for SOPARFI establishment include:

- Generally incorporated as joint stock company due to its flexibility, a SOPARFI offers an attractive tax environment
- It is a fully taxable company, limited by shares incorporated under Luxembourg SA legal form
- Dividends and capital gains are exempt from tax
- There are no withholding tax paid on dividends, and these companies can merge shareholding with industrial, finance and commercial activities

## General Partnership

Also known as Societe Civile or Societe en Nom Collectif, this type of legal form is preferred by smaller entities or family businesses. The regulations that need to be followed for a general partnership establishment are:

- This legal form is established by at least two members
- All partners possess the right to manage the company
- All partners are liable for profits and losses that would be distributed equally
- Partners possess the full liability to the company's debts and obligations
- In general, the shares are not transferable but articles of association may provide relaxation from this rule
- Subject to personal income tax to be paid by partners depending on their share in partnership income

## Limited Partnership

This is one of the most common partnership forms, after general partnership. The regulations that need to be fulfilled for the establishment of a limited partnership include:

- Established by two partners who form a partnership agreement
- One partner is fully liable to the company's debts and obligations and may participate in management activities
- The other partner is liable only to the extent of the contribution made by him towards the company's capital
- The company is subject to personal income tax, to be paid by partners, depending on their share in the partnership income

## Partnership Limited by Shares

This type of partnership is similar to limited partnership. The difference being that unlike limited partnership, here the shares are not freely transferable.



## Taxation

Luxembourg follows European directives to provide fiscal advantages to investors from the world over. It is a party to 22 double taxation treaties and is considered an attractive tax destination for businesses due to the following reasons:

- **Low corporate tax:** Effective from January 2006, the combined income tax (corporate and municipal business) has been reduced from 37.45 to 29.63.
- **Low VAT rates:** Luxembourg offers the lowest VAT rates in the EU. The different rates applicable are 3%, 6%, 12%, etc.
- **Limited personal tax:** Taxpayers in Luxembourg benefit from the lowest personal tax on salaries within the EU.

### How is Corporate Tax Applied?

Corporate tax in Luxembourg varies depending on the income, with a 5% increase applied towards unemployment fund contribution. Here are the norms governing corporate tax in Luxembourg:

- Companies with income of less than €15,000 are subject to 21% corporate tax
- Companies with income of more than €15,000 have to pay 22.05% in corporate tax
- Municipal business tax of 6.75% is added to income tax

In Luxembourg, the standard VAT and dividend tax rate is 15%. Luxembourg also offers many incentive programs for investors (tax rebates, credit assistance, etc.). The government of Luxembourg has introduced many programs to promote investment and venture capitalism in Luxembourg.

## Immigration and Visa Requirements

Whether you are travelling to the country for business or a holiday, proper permission from the Luxembourg Embassy should be sought. US citizens do not need to apply for travel and business visa in Luxembourg, although their passports must have at least six months' validity left from the day they enter Luxembourg. To kick start the visa procedure, you have to take the appropriate visa form, either from online sources or the embassy, fill it and submit it with the following documents:

- Passport with validity that must exceed the intended stay period by three months
- Two photographs that need to be tagged to the application form
- Business letter stating your business purpose
- Proof of sufficient funds to support your business purpose
- Tax and financial statements
- Proof of stay (hotel reservation, rental facility, etc.)
- Proof of health insurance
- Travel documents (tickets, etc.)

Submit your visa application, along with both the original and photocopies of these documents. Ensuring transparency and descriptiveness in your application increases your chances of approval considerably.



## Banking Requirements

One of the first steps for incorporation of a company in Luxembourg is setting up a bank account where the minimum capital requirement (€2,400) is injected. Only after the bank account is approved and the bank has issued a certificate authorizing that the capital has been injected can the next steps of incorporation follow. Some of the documents that have to be provided to bank officials to ensure that your bank account is approved and authenticated are:

- Financial statements, along with proof of credit worthiness
- Business plan, stating business purpose, along with the funds to support the plan
- Documents verifying the quality of shareholders and reputation of management members
- Legal form of establishment and information on administration & infrastructure
- Tax statements

Bank executives would generally meet the owner of the company before they issue the authorization certificate to companies. Companies also have to take care of the account opening fee, which varies from bank to bank. Supporting your plan with these documents and proofs would certainly ensure a hassle free banking experience for your company.

With companies like Microsoft and Amazon setting up base in Luxembourg and acknowledging the potential that this market offers, there is certainly no looking back for the country. Also, the government initiative of supporting an open economy has finally paid off in promoting Luxembourg as a business friendly as well as rewarding destination.



## Reference

Luxembourg for business	<a href="http://www.luxembourgforbusiness.lu">www.luxembourgforbusiness.lu</a>
International Monetary Fund	<a href="http://www.imf.org">www.imf.org</a>
Central Intelligence Agency	<a href="http://www.cia.gov">www.cia.gov</a>

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