

Vecteurs de croissance
au Luxembourg
Optimising logistics
operations and supply
chain management

Avant-propos

Dans un but d'articulation, de sauvegarde et de défense des intérêts de ses ressortissants et afin de développer la sensibilité à une large variété de sujets économiques, la Chambre de Commerce du Grand-Duché de Luxembourg, en collaboration avec Deloitte S.A., publie une série technique périodique intitulée « *Vecteurs de croissance au Luxembourg* ». Chaque édition fournit une introduction détaillée à un sujet économique spécifique susceptible d'intéresser les entrepreneurs localisés ou désirant s'implanter au Luxembourg.

Les publications de la Chambre de Commerce, en partenariat avec Deloitte S.A., visent avant tout à faciliter l'accès du grand public à ces sujets économiques spécifiques. Ainsi, ces ouvrages s'adressent tant aux entreprises non-résidentes envisageant d'investir au Luxembourg, qu'aux entreprises déjà implantées au Luxembourg ou à toute personne intéressée par les thèmes développés dans ces ouvrages.

Nous avons le plaisir de présenter la troisième édition des « *Vecteurs de croissance au Luxembourg* » consacrée au secteur logistique, qui permettra aux lecteurs de mieux comprendre les contours et caractéristiques de cette activité au Luxembourg, ainsi que les opportunités que le Grand-Duché peut présenter dans ce domaine.

Nous tenons tout particulièrement à remercier les auteurs de cette troisième édition, Henri Prijot et Katérina Eudaimon, ainsi que Carlo Thelen et Gilbert Renel pour la coordination complète de cette collection.

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Foreword

In the context of promoting, sustaining and furthering the interests of its members and creating awareness on a variety of economic topics, the Chamber of Commerce of the Grand-Duchy of Luxembourg publishes, in cooperation with Deloitte S.A. a technical series under the title "*Vecteurs de croissance au Luxembourg*". Each edition of the series provides a comprehensive introduction to a specific economic topic of potential interest to companies based in or contemplating moving to Luxembourg.

It is the purpose of the Chamber of Commerce, together with Deloitte S.A., to make these specific economic topics accessible to the public. This technical series is prepared for corporate non-residents considering investing in Luxembourg, corporate residents in Luxembourg, as well as anyone interested in these technical topics.

We are pleased to introduce the third edition of "*Vecteurs de croissance au Luxembourg*" dedicated to logistics, which will enable readers to better understand the characteristics of this sector and the potential opportunities that may be achieved in the Grand-Duchy.

We would like to thank the authors, Henri Prijot and Katérina Eudaimon for preparing this third edition and Carlo Thelen and Gilbert Renel for the overall coordination of these technical series.



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A. Executive summary

This edition provides an overview of logistics and supply chain management and of opportunities that can be achieved in Luxembourg in this sector

Introduction

Section 1 of this booklet provides an introduction to the importance of logistics in global markets and the development of Luxembourg as the 5th largest logistic performer in the world.

Luxembourg's key success factors are a combination of its central location in Europe, its advanced infrastructures and connections, the synergies between qualified players, the simplified administration, and, last but not least, low duties on transfer of goods.

Legal and regulatory framework

Section 2 provides a description and guidance on the administrative framework applicable in Luxembourg for the transportation and storage of goods in the logistics chain, including processes for customs, value added tax and direct taxes.

This section also showcases the dynamic and responsive approach of the Luxembourg government and other official bodies to create a business-friendly environment to attract investors and to promote economic growth.

Business opportunities

Section 3 summarises the main trends in logistics and supply chain management, and details those economic sectors that require an efficient logistic support that can keep pace with their development in Luxembourg.

This section also presents opportunities to improve all operational, financial and tax results through strategies focused on supply chain efficiency, referred to as “Tax Aligned Supply Chain”, with a detailed example of a Central Entrepreneur Model, a concept explained in this section.

For questions related to setting-up a business in Luxembourg or to developing your existing business, please refer to section 4 which provides an overview of the Chamber of Commerce’s role in business creation and development.

B. Logistics – principles and business opportunities

1. Introduction

1.1. Next generation of Logistics Hub in Luxembourg

1.1.1. What is a Logistics Hub?

The globalisation of markets and production has created a specific demand for sophisticated logistics and related services. A competitive network in logistics is essential for the development of international trade, and is a source for growth for the countries which manage to implement them properly.

Indeed, according to surveys carried out by the World Bank¹, when comparing countries with a similar level of income *per capita*, the best logistics performers deliver additional growth of roughly 1% in gross domestic product and 2% in trade.

To achieve these results, efficient supply chain management requires specialised and dedicated logistics hubs.

A supply chain is the network of organisations that are involved, through upstream and downstream linkages, from the first supplier to the final client, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer².

A logistic hub can be defined as an integrated center in a specific area where all activities related to the transport, storage, trans-shipment and distribution of goods are carried out by the economic operators.

The objective is to handle the process in a timely and cost-effective manner, and to provide added value services as goods move through the supply chain.

1.1.2 Luxembourg, a major hub

Located in the heart of Europe, at the crossroads between France, Germany and Belgium, Luxembourg has successfully developed, over the last years, its positioning as an intercontinental logistics hub.

With annual capacity of 1.000.000t of freight, Luxembourg airport is the 5th largest air cargo hub in Europe and home base of Cargolux, one of the leading cargo airlines worldwide. Champ Cargosystems, the worldwide leader in integrated software solutions for air freight carriers and their distribution partners is also based in Luxembourg.

More than 550 transport companies and over 100 handling, warehousing and distribution companies currently

¹ "Connecting to compete – Trade Logistics in the Global economy-The Logistics Performance Index and its Indicators", published by the World Bank in 2010.

² Christopher Martin, "Logistics and Supply Chain Management", 2nd edition, Financial Times/Pitman publishing, 1998.

operate in Luxembourg, such as DHL, Kuehne + Nagel, and Panalpina. CFL Multimodal, a subsidiary of Luxembourg's national rail company, offers services for transport of containers, storage or combined transports.

According to the Logistic Performance Index for 2010, Luxembourg ranks 5th when comparing 155 countries and their logistics sectors.

As already introduced, the Logistics Performance Index is a benchmarking tool developed by the World Bank, based on a worldwide survey of global freight forwarders and express carriers, and measures the performance along the logistics supply chain within the countries.

The surge from the 23rd to the 5th worldwide position within the last three years is the most significant upward movement in the study and illustrates the sustained growth of the logistics sector in Luxembourg since it has become a fully-fledged economic and political priority for the country.

In addition, in 2010, Luxembourg ranks first in two of the six indicators used for the Logistics Performance Index: Customs, reflecting the flexible, pragmatic and collaborative approach of authorities, and Timeliness, for the uncongested facilities and the efficient processes.

Figure 1: Comparison of top ten logistics performers and evolution from 2007 to 2010

Country	2010 LPI			2007 LPI		
	LPI rank	LPI score	% of highest performer	LPI rank	LPI score	% of highest performer
Germany	1	4,11	100%	3	4,10	97,1%
Singapore	2	4,09	99,2%	1	4,19	100%
Sweden	3	4,08	98,8%	4	4,08	96,4%
Netherlands	4	4,07	98,5%	2	4,18	99,6%
Luxembourg	5	3,98	95,7%	23	3,54	79,5%
Switzerland	6	3,97	95,5%	7	4,02	94,5%
Japan	7	3,97	95,2%	6	4,02	94,8%
United Kingdom	8	3,95	94,9%	9	3,99	93,8%
Belgium	9	3,94	94,5%	12	3,89	93,8%
Norway	10	3,93	94,2%	16	3,81	88,1%

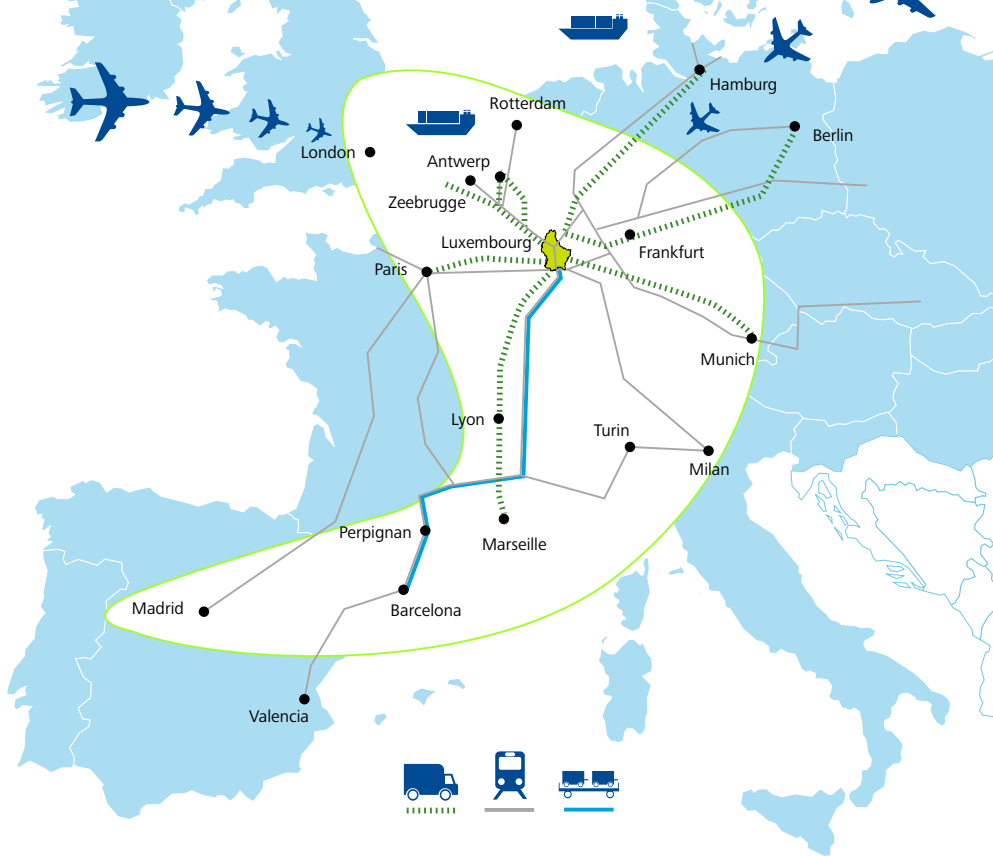


Figure 2: Map transportation modes in Luxembourg

1.2. Main drivers

Luxembourg's key success factors include its central location in Europe, its advanced infrastructures and its connectivity, as well as the synergies between qualified players, the simplified administrative procedures on transfer of goods, and advantages related to Value Added Tax, for instance the absence of VAT-pre-financing.

1.2.1. Connectivity to markets

Luxembourg benefits from a central position at the heart of Europe. Indeed,

the country is located in the middle of the so-called "Blue Banana"³, where approximately half of Europe's GDP is produced. Luxembourg has always promoted an open and export-driven economy, which contributed to its full integration into the EU common market with its 500 million consumers.

Luxembourg is competitive in all transportation modes which can be combined to achieve an efficient, timely and cost effective supply chain management.

³ The Blue Banana is a discontinuous corridor of urbanization in Western Europe, stretching approximately from North West England in the north to Milan in the south. The curvature of this corridor (hence the "banana" in the name) takes in cities such as London, Brussels, Amsterdam, Cologne, Frankfurt am Main, Stuttgart, Zurich and Milan, and covers one of the world's highest concentrations of people, money, and industry. The concept was developed in 1989 by RECLUS, a group of French geographers managed by Roger Brunet.

Airways

Luxembourg is only one hour away by plane from the most major European cities and transportation hubs, such as Paris, Amsterdam, Zurich, Munich, London, Frankfurt and Milan.

The new terminal of Luxembourg airport was opened in 2008 and provides first class infrastructures for both transport of passengers and freight.

Luxembourg airport is the 5th largest air cargo hub in Europe and its modern cargo center provides efficient processes. The handling of air freight is particularly streamlined: goods can transit from the landing of the plane to a truck departure within 3 hours, while the same process usually takes 24 hours or more in other airports. In the immediate surroundings of the airport, the logistics park "Eurohub Center" concentrates activities related to air freight, including warehousing, handling, packaging and related support functions.

Roads

Luxembourg benefits from one of the highest density of motorways in Europe and its road network has been significantly modernised in recent years. The six Luxembourg highways cover a total distance of approximately 150 km, linking the capital with Trier in Germany, Thionville in France and Arlon in Belgium.

The remaining road network in Luxembourg accounts for a total length of 2,820 km, consisting of 798 km of national roads and 2,022 km of secondary roads. Two major ongoing projects are the construction of the north road, on the portion Luxembourg-Mersch and the connection Luxembourg-Sarrebruck by a four-track road.

With toll free motorways and competitive gasoline prices, Luxembourg road network is also very cost effective compared to other European countries.

Railways

Railways are another opportunity to take advantage of Luxembourg's central position.

Efficient connections to the North Sea make Luxembourg a hinterland port of Amsterdam, Rotterdam, Hamburg, Antwerp, and Zeebrugge.

The corridor between Bettembourg in Luxembourg and Perpignan in France, located just at the Franco-Spanish border, is the longest rail highway in Europe, which avoids congested motorways, and benefits from unique intermodal transports without unloading in the logistic centre "Eurohub South".

Located in the area of Bettembourg/Dudelange, this dedicated transport park is the platform for import and export activities for Luxembourg and

the Greater Region, in particular for the tire, chemical and steel industries, both for the incoming raw materials and outbound finished products. The park hosts transport companies managing road and rails flows, and boasts successfully executing 60.000 handling operations in 2009 and even 75.000 operations in 2010.

In addition, the high-speed TGV links Luxembourg to Paris in 2 hours and 15 minutes. Extension of the network is planned with the project Eurocap Rail which will connect the 3 European capitals, Brussels, Strasbourg and Luxembourg. Travel time travel will be reduced from 2h15 to 2h for Luxembourg-Brussels and from 2h05 to 1h 25 for Luxembourg-Strasbourg.

Maritime transports

Luxembourg has an access to the North Sea by the Moselle and the Rhine, and has developed a successful maritime regime, which is further detailed in section 3.1.4 (page 30).

The Moselle, flowing through France, Luxembourg and Germany, is a left tributary of the Rhine, and has been made navigable for large cargo ships up to 110 m length from the Rhine in Koblenz up to the south of Nancy in France.

In Luxembourg, the port of Mertert, nearby Grevenmacher, extends over 65 ha and is linked to road and railways for efficient intermodal transports. The next edition of these series "*Vecteurs de Croissance*" will be dedicated to the Luxembourg maritime sector.

Information and communication technologies

In addition to a central geographic location, the efficiency of a logistics chain requires appropriate flow of information. Luxembourg offers top-notch infrastructures and telecommunication networks, combined with a culture of trust and reliability. For example, since its creation in 2006, the public company LuxConnect developed international connectivity through the installation of a fibre optic network with a high flow-capacity between a central point in Luxembourg and primary foreign Internet access centers.

1.2.2 An active and business friendly public policy and strategy

Logistics are considered by the Luxembourg government as a key strategic economic sector for the development of the country and of the Greater Region.

The approach of the government and public bodies is to set up, in collaboration with private partners, a business-friendly environment to attract international investors and encourage economic growth. Thanks to the highly responsive approach and the intimate size of the country, politicians and key civil servants are accessible and open to constructive dialogue.

Dedicated logistic parks have been set up to centralise and develop added values logistics activities. The Eurohub South, resulting from the conversion of a former maintenance base of the US Army, has been developed since 2007 through collaboration between the Luxembourg government, the local authorities of Bettembourg and Dudelange, the Environment Administration, and two major French groups active in the logistics sector.

The construction, financing, and management of the warehousing facilities to be rented for the logistics activities were supervised by a public

private partnership company formed with Sogaris, which is specialised in the management and running of multimodal logistics freight platforms.

Another part of the Eurohub South site is anchored by companies operating in their own dedicated buildings.

In particular, the Transalliance group hosts its general headquarters for its European subsidiaries⁴ and provides high value-added third-party logistics activities such as maintenance, stock management, pre- and post-positioning assembly activities, quality control, picking and conditioning as well as organisation of transports, documentation management and labelling.

Considering the successful development of the park over the last years, a programme was launched in 2010 to extend Eurohub South and to extend spread out the facilities.

In order to ensure an integrated and coordinated policy approach, the so-called Cluster for Logistics Luxembourg was set up in 2009 in order to create an exchange platform for the private and public operators in the logistics sector. Its objectives are to develop synergies and shared competences, create new products and services, promote the diffusion

⁴ Excluding the group's French subsidiaries.

of technological experience and know-how, and to improve the legal and regulatory environment. Several working groups have been set-up to deal with specific topics, such as infrastructure, innovation training, and regulation. For further information on the Cluster for Logistics Luxembourg, please refer to section 5 of this booklet.

1.2.3 A highly skilled and multilingual workforce

Luxembourg offers a highly qualified and multilingual workforce, mainly composed, along the Luxembourg nationals, of long term immigrants and cross border commuters from France, Belgium and Germany. The majority of Luxembourg's native population fluently speak at least four languages (English, French, German and Luxembourgish), since the Luxembourg education system emphasises language education. French and German are widespread due to immigration from the three neighbouring countries (Belgium, France, Germany). In addition many other languages are spoken due to the larger immigration history for instance from Italy, Portugal and Scandinavia. This multicultural and multilingual environment is a key feature for developing business relations with foreign partners.

To promote and further develop the qualifications of a highly-skilled workforce, Luxembourg provides high quality education, with international schools (European School, French Lycée Vauban, British St. George's School, and the International School), the University of Luxembourg, the Luxembourg School of Finance and many other training and research institutions, offering a large range of learning and training programmes.

Combining the advantage of a European capital city and a multicultural society, Luxembourg also enjoys one of the highest standards of living among developed countries which is a clear advantage to attract new talents.

2. Legal and regulatory framework

The general policy of the government and public bodies is to set up, in collaboration with private partners, a business-friendly political, regulatory and tax environment to attract international investors and to promote economic growth. Due to this specific approach and the intimate size of the country, politicians and key civil servants are easy to access and open to constructive dialog.

This proactive and responsive approach leads to regular adjustments to the legal and tax framework, and to the set up of dynamic policies in all economic sectors, including the logistics sector, by developing state-of-the-art infrastructures, research centres and initiatives, and by granting public subsidies and tax incentives.

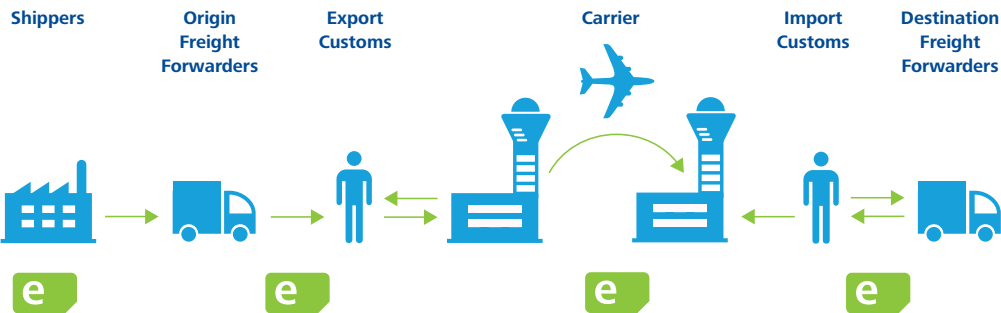
As far as the logistics sector is concerned, the Customs and VAT frameworks are of key importance. In addition, the overall tax environment should also be considered.

2.1 Customs, VAT and certifications

Fiscal representation

Since 2008, companies importing goods in the European Union can appoint a fiscal representative to handle the administrative process on their behalf. The fiscal representative takes care of import, export and VAT declarations, of the payment of VAT and other duties as applicable. The representative can as well handle relevant reporting tasks, such as intra-community supplies declaration

Figure 3: IATA e-freight: Scope of Documents⁵



⁵ <http://www.iata.org>

(EU sales lists). Due to this mechanism, foreign companies and entrepreneurs do not necessarily need a fixed establishment and VAT registration to operate within the European Union when using Luxembourg as a hub for importation and distribution.

Paperless Douanes and Accises (PLDA)

In cooperation with the European Union, the Luxembourg Customs authorities promote a paperless customs environment. This flexible and efficient approach reduces the costs linked to the administrative process while increasing effective control and improving business efficiency.

Since 2008, Luxembourg is also one of the first participants to the e-freight initiative of the International Air

Transport Association (IATA), which uses electronic messages instead of paper documents throughout the air cargo supply chain.

Traditionally, an airfreight shipment has entailed about 30 written documents. In 2010, with e-freight, 20 documents can be replaced by electronic messages. The project involves all operators in the chain, such as carriers, freight forwarders, ground handlers, shippers, customs-brokers and the Customs authorities.

E-freight reduces costs and ensures better services, like faster supply chain transit times and improved accuracy and tracking of information. In addition, the initiative is environment-friendly as paper waste is significantly reduced.

Consignees

1. Invoice
2. Packing List
3. Certificate of Origin
4. Letter of Instruction (electronic messaging standard to be defined in 2009)
5. Shipper's Dangerous Good Declaration (electronic messaging standard to be defined in 2009)
6. Export Goods Declaration
7. Customs Release Export
8. House Manifest
9. Air Waybill
10. House Waybill
11. Export Cargo Declaration
12. Flight Manifest
13. Transfer Manifest (electronic messaging standard to be defined in 2009)
14. Import Cargo Declaration
15. Import Goods Declaration
16. Customs Release Import
17. Security Declaration
18. CITES Certificate
19. Transit Declaration
20. Freight Book List

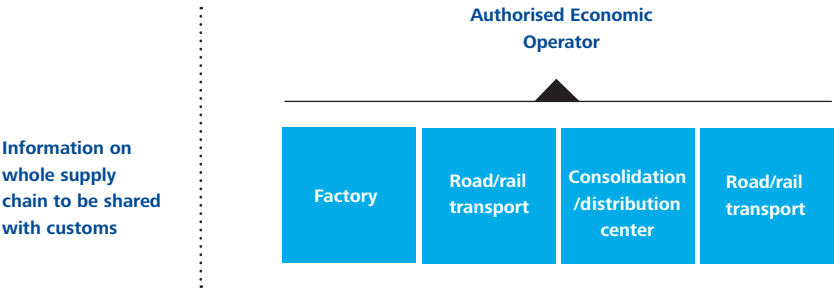


Authorised Economic Operator (AEO)

The status of Authorised Economic Operator (AEO) has been implemented following the terrorist attacks of 2001, and was introduced via the EU Regulation n°648/2005⁶. The AEO program is intended to increase transparency and security in international logistics and supply chains and represents a collaboration between the transport companies and the Customs authorities. The companies

requesting the AEO status describe their supply chain, related procedures, and risk management tools and assume part of the supervision of the physical, financial, and information flows. In return, the operators enjoy reduced controls at the EU’s external borders and more efficient customs clearance applications. In addition, the AEO can develop and improve its self-policy and internal controls and benefit from the relationship with customs authorities in this field.

Figure 4: Authorised Economic Operator framework*



*AEO standards will affect the full supply chain, starting from the factory level to the final distribution chain and will be internationally recognised

⁶ REGULATION (EC) No 648/2005 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 April 2005 amending Council Regulation (EEC) No 2913/92 establishing the Community Customs Code

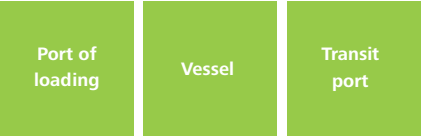
Single window for Logistics

The schedule of the European Commission (Decision 70/2008/EC) foresees that each country must provide a single window for logistics as from 2014. A single window will enable traders and economic operators, trough a single online portal, to submit all data needed for authorizations or certificates from Customs, Ministries of

Economy, Agriculture, Health and any other administration facilitating trading processes.

As from 2013, economic operators, such as ArcelorMittal, Goodyear or, Kühne & Nagel will be able to centralise all customs related declarations in one single EU country independent of the physical location of goods.

**Pre-notification 24 hour
advance rule C.S.I.**



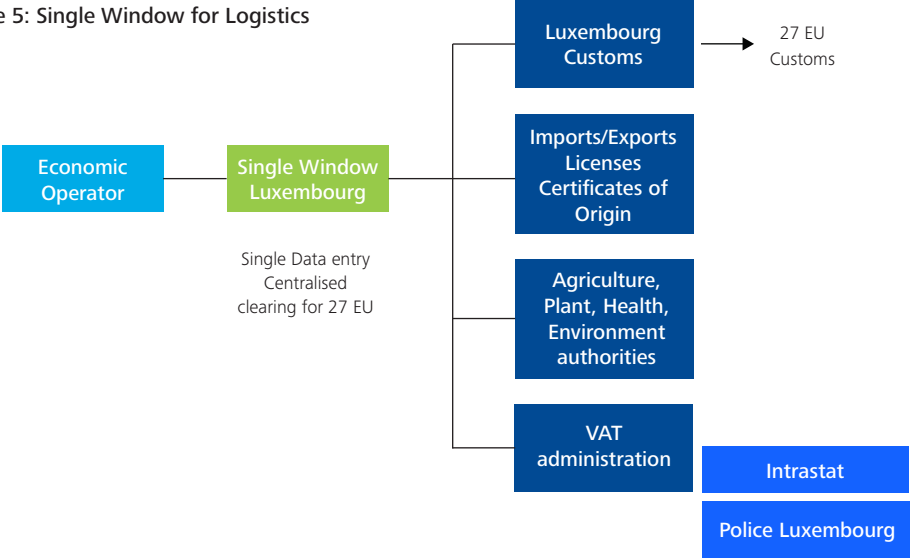
**Paperless
Customs**



**Authorised Economic
Operator**



Figure 5: Single Window for Logistics



A single Window for Logistics (“SW” or “*Guichet Unique pour la Logistique*”) is a portal between on one hand, economic operators that import, export and transit goods in and out of the European Union, and on the other hand all involved public administrations.

A single window enables a trader or a transporter to submit all data needed for identifying import, export and transit related regulatory requirements in a standard format, through a single online portal. A single window will use standardised data formats to enter information that becomes available to all authorities involved in border control

within the whole European Union of 27 member states.

Recognised Certification Agency

In a reduced period of time and for reasonable costs, the Luxembourg agency SNCH (*Société Nationale de Certification et d’Homologation*) provides EU-recognised certifications giving access to international markets. The agency is known worldwide for certifications in the automotive market, and is also specialised on homologations for the electronics industry. For instance, Luxembourg is part of the CCA agreement with several other European countries: for companies producing specific

electronic devices, obtaining the certification of one agency largely facilitates other participants’ approval and opens the door to international markets through an efficient and timely process.

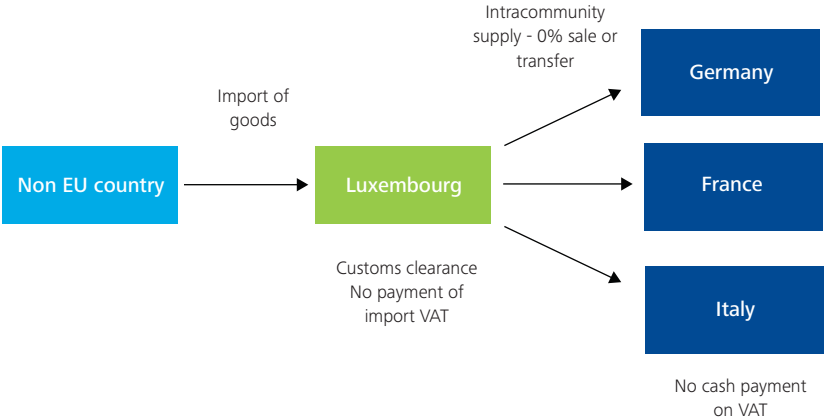
VAT

In principle, importing goods in the EU triggers a VAT liability in the country of import, unless the goods are placed under a specific regime or unless the importation of the goods is followed by an intra-community supply. In most other situations the import VAT becomes due at the moment of importation of the goods within the EU. This VAT liability does usually not constitute a cost *per se* as it can subsequently be refunded, but the pre-financing of the VAT implied by

this mechanism nevertheless triggers financial costs. Indeed, the VAT needs to be financed during the time gap between the moment when it needs to be paid and the moment when it is effectively reimbursed.

In Luxembourg, an automatic deferral system is in place whereby the import VAT no longer needs to be paid at the moment of importation but whereby it is immediately deferred to the periodic VAT return. As the payable VAT can immediately be offset by the deductible VAT in the periodic VAT return, the pre-financing of import VAT is *de facto* non -existing in Luxembourg. Indeed, the VAT on imports is dealt with in the VAT return and no immediate cash payment is due. This deferral system is automatic and

Figure 6: Absence of VAT pre-financing



does not require a special request, nor a cash deposit or a bank guarantee, which is a significant advantage for Luxembourg's logistics hub.

Furthermore, if the goods are delivered to a business outside Luxembourg, in or outside the EU, no VAT at all is due on the importation of the goods.

2.2 Direct tax environment

Luxembourg's stable and flexible tax framework has contributed to make out of the Grand-Duchy one of the most attractive places in the European Union to set up an entity for a wide range of activities, including holding activities and finance, as well as intellectual property management. The good reactivity and availability of the Authorities ensure a performing system and reduce uncertainties to investors.

As a member of the European Customs Union and with currently 61 Double Tax Treaties in force⁷, Luxembourg is a powerful platform for European and worldwide investments.

Luxembourg companies or permanent establishments are subject to Corporate Income Tax and Municipal Business Tax at an aggregate rate of 28.80% in 2011

(Luxembourg-city), and to a annual Net Wealth Tax of 0,5%. While these are nominal rates, a wide range of benefits and exemptions are provided for in the law, including for instance:

- An attractive participation exemption regime, with a full exemption on dividends, liquidation proceeds received and capital gains realised⁸. Due to the temporary deduction of charges related to the shareholding activity, the benefits can be wider than the exemption itself, with a deferral and even a cancellation of the taxation on other taxable revenues.
- The absence of withholding tax on interest⁹ and royalties paid based on domestic law, as well as possible exemption of withholding tax on dividends distributed¹⁰.
- An IP box regime¹¹ applicable to income received from the use or the right to use software, copyrights, patents, trademarks, designs, models, or domain names and providing for a 80% exemption of net royalty income and capital gain and for full exemption of Net Wealth Tax for qualifying IP assets.

⁷ http://www.impotsdirects.public.lu/conventions/conv_vig/index.html

⁸ Provided that conditions of Article 166 of Luxembourg Income Tax law and of Grand Ducal Decree date December 21, 2001 are met

⁹ Except if interest paid to Luxembourg individuals or in case of EU Saving implications

¹⁰ Provided that conditions of Article 147 of Luxembourg Income Tax Law are met

¹¹ Article 50 bis of Luxembourg Income Tax Law

Figure 7: Overview of Luxembourg direct tax regime for corporations

Item	Nominal rates (2011)	Effective tax rate	Comments
Corporate Income Tax/Municipal Business Tax (Luxembourg city)	28.80%	0-28, 80%	<ul style="list-style-type: none"> • <6% ETR: IP income (80% under Luxembourg IP box regime) • 0%: No tax on dividend, capital gains and liquidation proceeds (participation exemption) and on branch income (DTT) • Incentives and tax credit available (accelerated amortisation, investment tax credit, etc.)
Debt to equity ratio	NA		Not applicable except for shareholding activities (15/85 to 1/99)
Carry forward of losses	Yes		Unlimited
Tax consolidation	Yes		Luxembourg entities (>95%)
Net Wealth Tax	0.5%	0%	No tax on qualifying assets (participation exemption, foreign branch, IP)
WHT on dividend	15%	0%	Reduction/cancellation of WHT based on DTT, internal law or efficient tax instruments
WHT on interest, royalty, liquidation proceeds	0%		For interests: except if interest paid to Luxembourg individuals or EU savings implications
VAT rate	15% - 12% - 6% - 3%		Lowest rates in the European Union

Tax credit for investments

Luxembourg income tax law provides tax credits for investments meant to be used within the Luxembourg territory, and which are available for companies active in the logistics industry, in particular on the transports vehicles (planes, railway, vessels, etc.) and equipment.

This incentive was bolstered by the Law of 17 December 2010¹² introducing various tax measures amongst which the increase of the rates applicable to investment tax credits.

- ***The credit for global investments*** applies to new investments made during the financial year. Until 2010, this tax credit was 6% of the first €150,000 of the investment, and 2% on the part exceeding this amount. As of 2011, the rates are increased to 7% and 3%, respectively.

- ***The credit for complementary investment*** is computed by comparing the net book value of qualifying assets for the financial year with the average of the net book value for corresponding assets over 5 years. The credit is applied on the difference between the two values. The rate was 12%, and is increased to 13% for 2011 onwards.

2.3 Expatriate tax regime

The Luxembourg Authorities have introduced some rules specific to expatriates qualifying as highly skilled workers with a potential for significant tax savings for both expatriates and their employers.

Circular LIR n°95/2 issued on 31 December 2010 provides details of the new expatriate tax regime which is in force since 1 January 2011. Under conditions attached to the employer and to the employee, tax relief can be obtained as detailed in the table to the right.

¹² Loi du 17 décembre 2010 portant introduction des mesures fiscales relatives à la crise financière et économique et portant 1. modification de la loi modifiée du 4 décembre 1967 concernant l'impôt sur le revenu; 2. modification de la loi modifiée du 30 juin 1976 portant 1. création d'un fonds pour l'emploi; 2. réglementation de l'octroi des indemnités de chômage complet; 3. introduction d'une contribution de crise.

Figure 8: New Luxembourg expatriate regime: overview of benefits (under conditions)

Expenses	Details/Limitations	
Relocation	Includes costs of moving to Luxembourg and repatriation at end of secondment, as well as costs to make home suitable to live in (defined in circular) and costs for emergency travel	
Rent/utilities	Tax exempt amount depends on whether a home is maintained in the home country	Combined costs to an overall cap
Home leave trip	One trip per year per family member	
Tax equalisation	Costs associated with the difference in taxes between Luxembourg and the home country	
School fees	Deduction available for primary and secondary education	
Lump sum for recurring expenses	To cover cost of living allowances and miscellaneous expenses associated with expatriation, the allowance is, again, subject to a cap	

To illustrate the level of savings involved, an expatriate who is married with 2 children, earns a base salary of €200,000 with a typical expatriate package can save taxes in the region of €50,000 per annum. As long as all conditions continue to be met, the regime can be applied for the year of arrival and the following 5 tax years.

3. Business opportunities

3.1 The development of logistics for promising markets

Recently, the most promising sectors for which logistics is of key importance have been developed with the active support of public sector partners.

3.1.1 Automotive industries

Luxembourg has become a key location for first- and second-tier suppliers to the automotive industry, notably as a provider of innovative components. Logistics is a key success factor for “just-in-time” delivery of components to car manufacturers located abroad and efficient management of assembly lines.

3.1.2 Environmental technologies

Luxembourg is strongly committed to the preservation of the environment and the sustainable use of energy. Nearly 200 companies in the country are involved in “green technologies”, working mainly in renewable energy, recycling and waste management, wind power, water and eco-construction.

The increasing demand for green logistics promotes the environmentally friendly infrastructures such as the multimodal road/railway services within the Eurohub South. This intermodal transport, combining road and freight without unloading, creates a sustainable solution.

3.1.3 Healthcare technologies

Luxembourg invests in the health technologies sector, with a clear objective of developing Luxembourg as a prime location for related R&D activities.

In 2008, Luxembourg signed with several major American research institutes (Translational Genomics Institute and Institute for Systems Biology) for a investment of €140 million over five years for a project combining a bio-bank, systems biology centre, and research cooperation. In February 2010, the Integrated Biobank Luxembourg was launched, a library where human tissues and their related information are stored.

In this field, logistics is essential considering the need for high quality and timely transport and storage of these highly specialised products. In addition, logistics can be used to develop a complete value chain from R&D to marketing for drugs production and distribution processes in Luxembourg.

3.1.4 Maritime sector

Although Luxembourg has no direct access to the sea, it has successfully developed a maritime sector due to dedicated corporate, operational and tax regimes.

Further to the Maritime Act of 1990 as amended in 1994, vessels with a tonnage of at least 25 tons used or intended for use in the transport by sea of persons or goods for any gainful seafaring activity may be entered into the Luxembourg Shipping Register. The Luxembourg Shipping Register offers three types of registration provided in the Maritime Act: full registration, bareboat in registration and bareboat out registration.

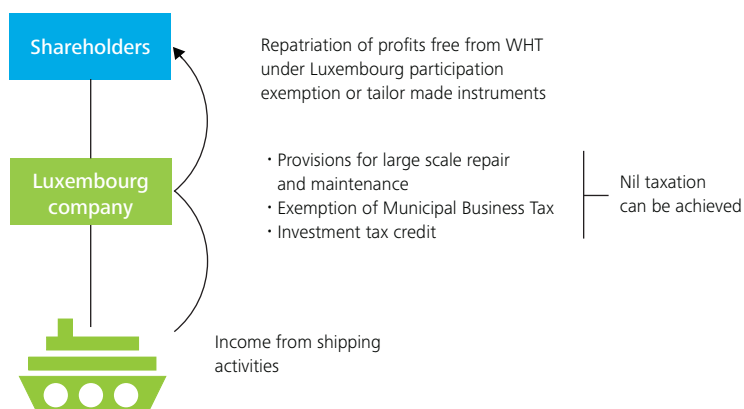
The main advantage of the shipping regime is that Luxembourg does not apply a tonnage tax regime, which is of significant importance in times of economic instability. Luxembourg shipping companies fall under the

general tax laws relevant to resident companies, and can benefit from:

- Investment tax credit, for 16% of the acquisition price of the vessels
- Exemption of Municipal Business Tax
- Provisions for large-scale repair and maintenance work

The combination of these benefits and incentive puts Luxembourg maritime companies in a position where nil taxation can be achieved. Profits can then be reinvested or repatriated to shareholders free of withholding tax through dividend distributions or use of tailor made instruments.

Figure 9: overview of the Luxembourg maritime regime



As of 1 January 2010, 205 vessels were recorded in the Luxembourg Maritime Register, a record number for a landlocked country, and more than 300 maritime companies' offices in Luxembourg. The maritime services in Luxembourg are governed by the Commission for Maritime Affairs (*Commissariat aux Affaires Maritimes*, CAM).

The successful development of the Luxembourg shipping regime is also promoted by the Luxembourg Maritime Cluster, which gathers public partners, world-leading companies and expert advisors. A strong link is clearly forged between the Maritime Cluster and the Cluster for Logistics.

The next edition of *Vecteur de Croissance* will be dedicated to the Maritime Sector and related opportunities in Luxembourg.

3.2 Business modelling: how to leverage your supply chain

3.2.1 Logistics and supply chain: trends and opportunities

From logistics to supply chain management

In the past several decades, major evolutions in the business environment have contributed to the development of logistics and supply chain networks, leading to complete reorganisations within companies and their business partners.

Historically, companies had focused their efforts on the production phase, and the movement and storage of goods was considered as an ancillary activity that generated only costs and no added-value. Beginning in the 1970's and due to globalisation, driven by several factors such as cost differences, economies of scale, demand in new and emerging markets, the reduction of trade barriers, and with the development of new organisation methods like "just in time" and outsourcing, it became clear that logistics was an essential function that should be carefully managed to improve efficiency and cost control.

Companies first initiated improvements in the separate activities of logistics such as procurement, inventory, storage, transport, etc. and subsequently completed internal integration amongst

these functions. However, as more and more actors were involved in the process, internal changes were not sufficient to ensure efficient flows. In the 1990's, the next step was to moving towards external integration between partners along the supply chain, as it was recognised that all actors should cooperate for the satisfaction of the final consumer as a shared objective.

As already mentioned, supply chain can be defined as the network of organisations that are involved, through upstream and downstream linkages, from the first supplier to the final client, in the different processes and activities that produce value in the form of products and services in the hands of the ultimate consumer.

Supply chain management is thus based on a close coordination and collaboration between the actors, to maximise global competitiveness in a cost and time efficient way, rather than having each entity working independently and pushing costs and inefficiencies to other parts of the chain.

As such, the concept of supply chain is broader than logistics, even if both terms are sometimes used interchangeably as they refer to broadly similar functions and concerns.

Trends in logistics

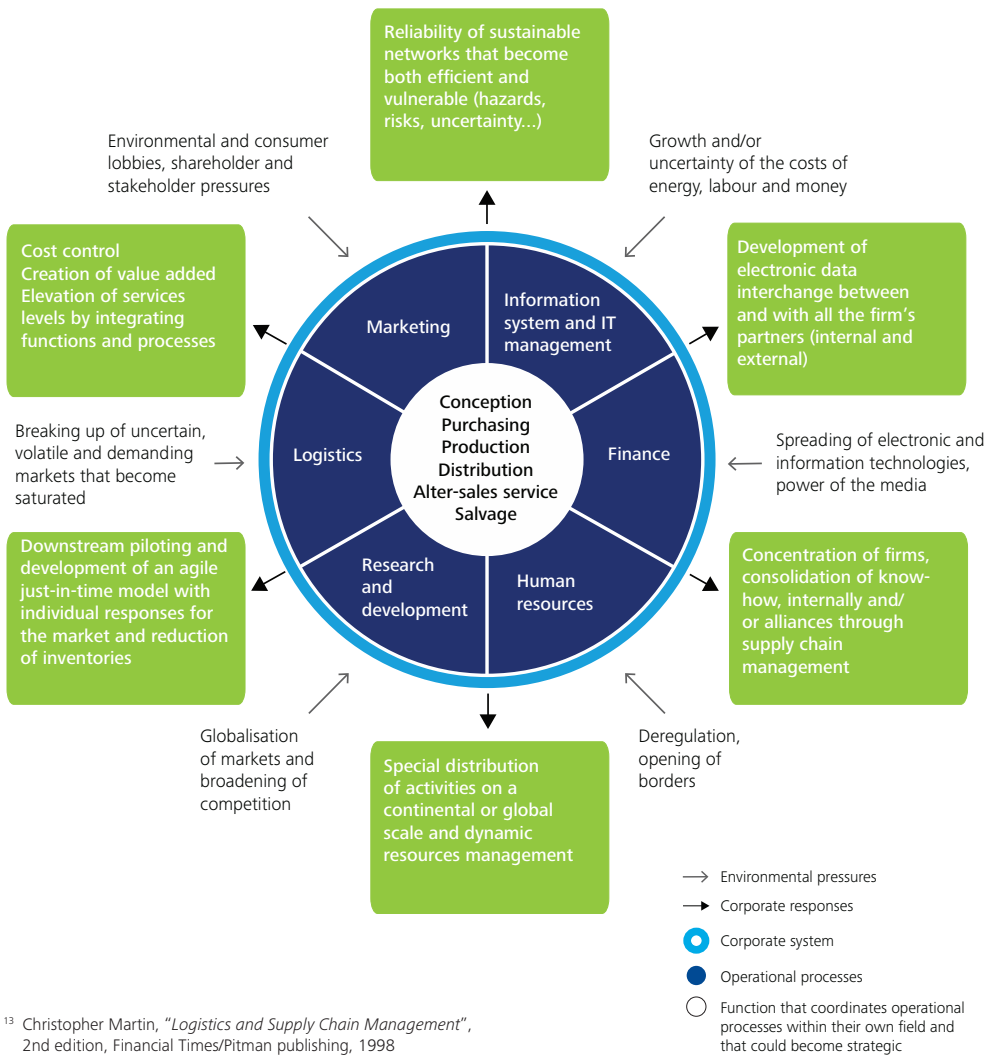
In the current competitive and fast evolving markets, commercial and industrial companies are subject to increasing environmental pressures that they should address to maintain or gain competitive advantage. The Figure 10 on the following page illustrates these challenges and how organisations have developed specific responses.

In Figure 10, it is interesting to note that, although the environmental pressures are not specifically linked to logistics, the companies design solutions and strategies that almost always involve logistics and can even be mainly based on supply chain re-organisation.

The search for improvement led to many changes in the field of logistics. Several examples can be found in the recent trends in all activities and processes in the supply chain, with the aim to satisfy customer demand in a timely and responsive way, whilst reducing costs:

- The outsourcing of logistics operations generated the development of third-party logistics, with benefits of lower costs, expert services, lower exposure to risk, as well as increased geographical coverage.

Figure 10: Corporate responses to environmental pressures including logistics dimensions¹³



¹³ Christopher Martin, "Logistics and Supply Chain Management", 2nd edition, Financial Times/Pitman publishing, 1998

- Mass customisation aims to combine the advantages and low unit cost of mass production with the flexibility of personalised products. This is possible thanks to postponement methods, which delay the assembly and finalisation of products until the last possible moment. Dell is a pioneer in this method, called “configure to order”: orders are collected on the website and computers are specially produced for each order. This approach requires efficient, reactive and reliable supply chains.

Increased competition and sources of information and communication have raised the consciousness of customers towards value. Value is considered based on the benefits obtained compared to the costs involved. Customers always want higher added value at lower cost, and companies must integrate these requirements in their overall strategies in order to successfully compete in an even more globalised world economy.

Creation of value can be achieved either by increasing the level of utility delivered and/or by reducing the customer’s cost. On this basis, two generic strategies are cost leadership (delivering comparable products/ services at a lower price) and product differentiation (delivering products/ services that customers cannot find elsewhere). Logistics have been a

powerful impact on both strategies, the latter being more specifically referred to as “lean” and “agile” in this specific sector.

A *lean* strategy aims to achieve the lowest possible costs by, for example, minimising stocks, reducing waste or by using fewer resources throughout the production process. To compete on a basis other than price, an *agile* strategy focuses on customers’ perception of the value received, and emphasises on flexible, timely action in response to rapidly changing demand environments. Lean and agile strategies are not necessarily exclusive and may be combined to develop alternative solutions.

Other specific strategies have been developed, which can either be focused on time-efficiency (delivering products quickly to customers), on high-productivity (optimal use of resources), on value-added maximisation, or on diversification, specialisation, and environment (focus on sustainable operations, renewable resources, recycling, etc.).

Logistics and supply chain management is not only a tool to address the various market pressures, it can also be the basis of overall innovative strategies to improve performance and gain competitive advantage.

While the key drivers were for a long time the “4Ps” (Product, Price, Promotion and Place), companies must now focus on new and additional success factors due the evolving competitive framework. These factors are referred as the “4Rs”:

- *Reliability* is the ability to deliver on the given timing. This is a challenge considering “Just in Time” practices, reduction of stocks and multiple hand-offs at the different stages of the supply chain
- *Responsiveness* refers to the possibility to answer quickly to the customer demand, and in the most flexible way
- *Resilience* is the ability to face unexpected events or disruption in the supply chain, and to ensure business continuity in such difficult context
- *Relationships* are a central element for the supply chain management. The relationships between the various actors along the chain should be collaborative and built as a partnership

To achieve these objectives, specific methods and strategies have been designed: for example, the “Six Sigma” methodology can be adopted to increase reliability and supply risk management to improve resilience. New technologies and communication tools

are also drivers for implementation of innovative methods, like joined planning and forecasting between the parties or vendor-managed inventory (VMI), which is a good illustration of the collaboration and growing integration along the supply chain: With this method, the supplier has access to information on its customer’s sales and inventory, and can thus plan deliveries of products without receiving a specific order from the customer. This improves stock management and can reduce time and costs related to the exchange of information.

Supply chain transformation initiatives are a proven way of reducing operational costs and increasing profits. Most successful companies have gained a competitive advantage by applying continuous supply chain improvements. These have resulted in streamlined processes, reduced stock levels, shorter lead times, better asset utilisation, improved productivity and better service levels.

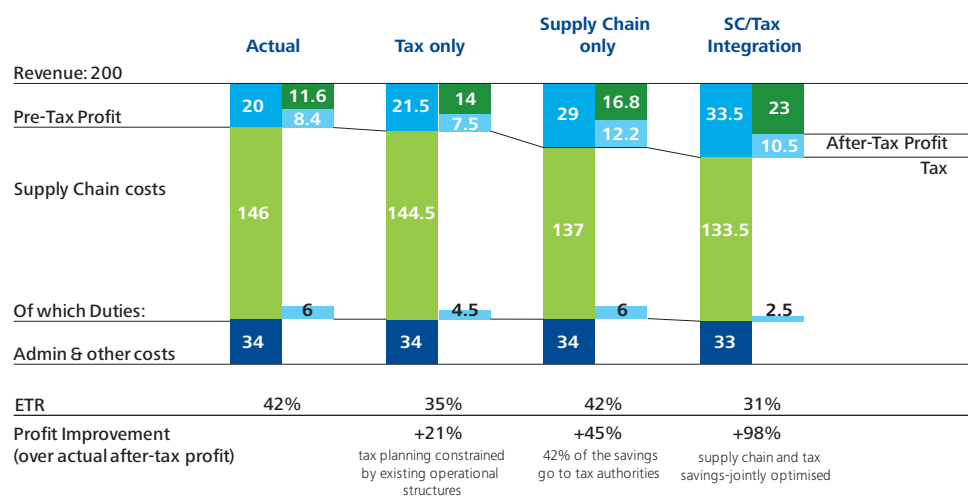
3.2.2 Tax Aligned Supply Chain

Investing in deep operational improvements as mentioned above can prove to be efficient, but many projects fall short of their potential to leverage additional shareholder value, because they ignore broader issues, such as structural tax planning. This is because they focus on pre-tax gains instead of after-tax returns, and are not necessarily effective in offsetting the

The charts illustrates the impact of possible plannings, considering gross revenues of 200, and as a starting point a pre-tax profit of 20, total taxes and duties of 14,4 (8,4 +6) and after tax profit of 11,6.

- A pure tax planning can reduce the tax charges from 14,4 to 12, thus increasing the after tax profit from 11,6 to 14; final gain for the company and shareholders amounts to 2,4.
- A stand alone supply chain planning increases the operational profit from 20 to 29 and after tax profits from 11,6 to 16,8. Final gain amounts to 5,2.
- Combining both approach leads to exponential benefits: pre-tax profits can further increase to 33,5 due to reduction of duties (from 6 to 2,5). In addition, the effective tax rate applicable to this 33,5 gain is also reduced so that the after tax profit is leveraged. Final gain compared to the initial situation amounts to 11,4.

Figure 11: Combination of tax and supply chain plannings and exponential profits



marginal tax impact. For new operating income or savings generated, it is possible that only a limited portion of the benefit will fall to the bottom line after taxes.

Similarly, standalone tax plannings have limited benefits as they face operational constraints and may create additional compliance complexity.

Achieving world-class supply chain performance requires an integrated

approach, where companies benefit from both operational improvements and additional earnings. This can be facilitated by taking tax into account from the outset of the supply chain planning.

The chart above illustrates the impact of standalone operational and tax planning and illustrates that integrating tax and Supply Chain planning in a combined approach can lead to exponential benefits.

In this approach, strategic tax planning is an integral part of supply chain transformation initiatives. Taking tax information into account can lead to changing the supply chain structure, enabling companies to drive down their structural tax rate.

Tax Aligned Supply Chain (“TASC”) is thus a strategy for global optimisation of the supply chain process across all the needs and costs of an organisation, including tax and treasury. This more sustainable planning approach of combining supply chain and tax optimisation can substantially contribute to profits and increased shareholder value:

- **Profit contribution:** integration of business functions can result in a streamlined process and economies of scale which, when located in a low tax jurisdiction, may result in a lower effective tax rate.
- **Risk management and control:** smart restructuring will avoid the need for a large-scale relocation of people but will deliver the central visibility, allowing better planning across the network and streamlined transfer pricing.
- **Intangibles planning:** capturing intangibles in tax advantageous jurisdictions can cause functions, risks, intellectual property and income to shift to these advantageous jurisdictions, leading to a lower effective tax rate.

- **Customs compliance and optimisation** with respect to inbound /outbound transactions of goods, such as implementation of bonded warehousing or other economic customs regimes, assessment of the correct customs value possibly leading to reduced customs duties and import VAT and alignment with the company transfer pricing policy (cf. *Vecteur de croissance n°1*). Reducing lead times and optimising supply chain through Authorised Economic Operator accreditation and compliance regulations, e.g. REACH legislation on chemical products.

Methodologies for defining, designing and implementing a Tax Aligned Supply Chain, usually include several steps:

- Firstly, the corporate strategy should be translated into supply chain and operations best practices, such as: balanced planning and service offering policies, best in class processes and technology enablers.
- Secondly, assessing the supply chain network – where to locate manufacturing processes, how inputs are sourced, how products are distributed, etc. – will identify network re-design opportunities for meeting the strategic objectives and improving performance while reducing costs.

- Thirdly, a tax planning will help to identify which business functions could best be centralised or de-centralised from the point of view of profit contribution, risk mitigation, incentives, customs and VAT.

Through this process, the transformation of the supply chain generates an attractive return on investment.

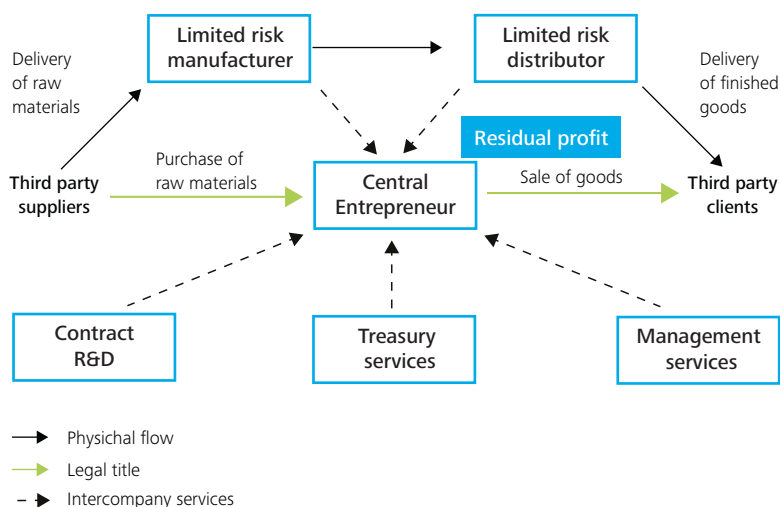
3.2.3 Central Entrepreneur Model

As part of the Tax Aligned Supply Chain strategy, setting up a central Entrepreneur model can improve business efficiency and reduce costs.

In this structure, key functions and main risks are centralised in a Central Entrepreneur, or Principal, while the physical or routine activities are performed by entities located in several countries as appropriate for commercial purposes. Considering the function and risk profile, the entities are entitled to a "routine remuneration" and the Central Entrepreneur retains all residual profits.

The figure below provides an example of activities that can be centralised through the use of a Central Entrepreneur Model.

Figure 12: Central Entrepreneur Model



There are a number of benefits for implementing a Central Entrepreneur model. The overall business is managed and controlled centrally, which may lead to higher efficiency and a reduction of operational costs. Additionally, for performing the key functions and bearing the key risks, the excess profit should also be allocated to the Central Entrepreneur.

Luxembourg is an attractive jurisdiction to set-up a Central Entrepreneur model as, amongst other advantageous conditions, tax efficient profit repatriation can be achieved without withholding tax consequences. Furthermore, Luxembourg is attractive for its low VAT and effective corporate tax rates. Indeed, many multinational companies have already implemented one or more of these structures, with the aim of enjoying a lower global tax rate while operation out of Luxembourg.

The Central Entrepreneur structure can be implemented for almost all activities within a group.

Manufacturing

In a traditional manufacturing model, the manufacturer buys the material, owns intangibles and manufactures the products before selling the finished goods to a distributor. In this case, the manufacturer bears all risks linked to inventory, warranty, intangibles, capital and receivables.

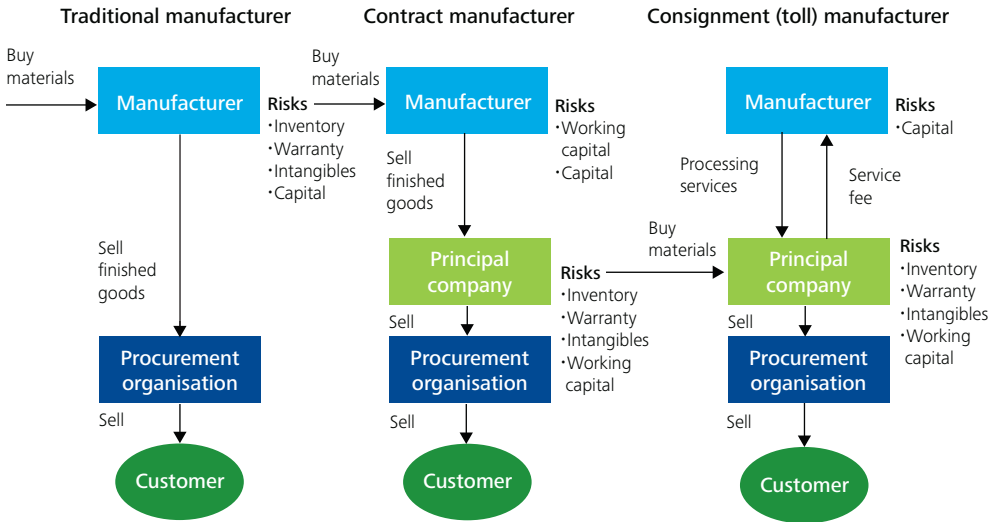
In the TASC model, key assets or risks are allocated to the principal company and manufacturing operations are carried out under specific arrangements. The two usual methods are contract manufacturing and consignment (or toll) manufacturing.

In contract manufacturing, the manufacturer buys materials, produces goods, and sells finished products to the principal who thus bears the risks related to inventory, working capital, intangibles and warranty.

In consignment (or toll) manufacturing, the manufacturer bears even lower risks as it does not buy the materials and processes goods belonging to the principal.

In these models, the principal has a high level of control over the manufacturing process and bears key risks. The manufacturer performs a service for the principal and is paid an appropriate fee. This can be somehow considered as an “internal outsourcing” by the principal. The residual and major part of the profit is allocated to the principal and benefits from a favourable effective tax rate.

Figure 13: TASC models for manufacturing activities



Sales and distribution

In the traditional model, a full distributor buys from the manufacturer and directly sells to the customers. The distributor's margin reflects the fact that it bears all inventory and market risks.

As part of the TASC strategy, the sales and distribution activities can be organised with limited risk distributors, for instance:

- Stripped distributor: in this model, the principal buys the products from the manufacturer and bears market and

inventory risks. The distributor buys products from the principal and resells them to the customer.

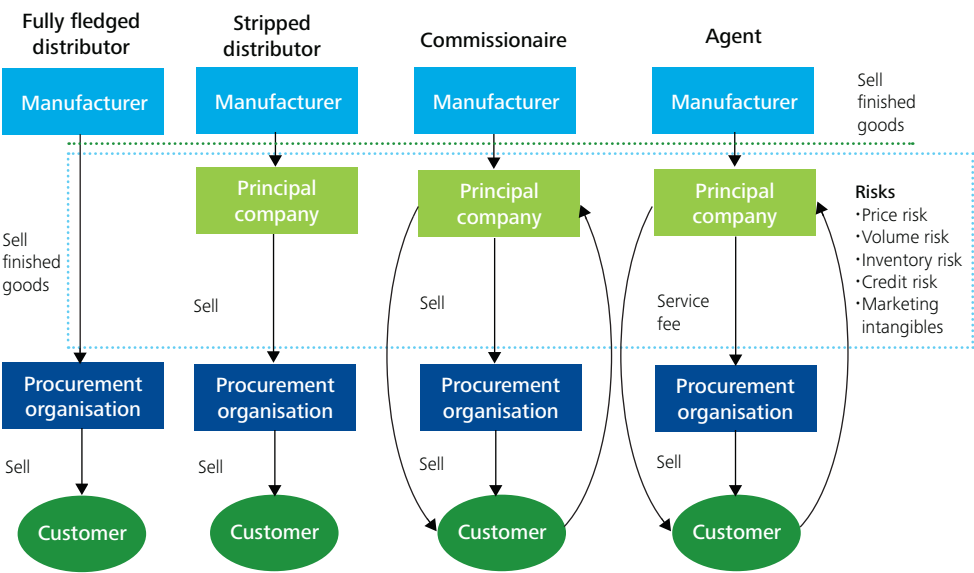
- A Commissionaire sells products in its own name but for the account of the principal. The risks and benefits of the sale remain in the principal.
- A sales agent acts as a representative. It merely provides product information and performs customer services. The principal receives sale orders directly from customer.

For each model, Figure 14 illustrates the actors involved, the flows of goods and sales, and the risks born by each entity.

In these models, the limited risk distributor typically not bear risks associated with inventory obsolescence, bad debts, warranty/product liability or currency exchange. Therefore, it

earns a lower profit (through a margin or commission) than a full distributor, consistent with its reduced functions and risks. The residual profit is allocated to the principal as compensation for the additional functions and risks that it has agreed to bear.

Figure 14: TASC models for sales activities and distribution



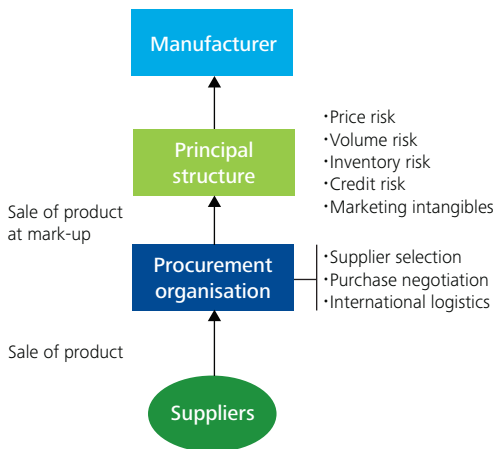
Shared Services (Including Procurement)

As part of the centralisation of functions in the principal structure, shared services can also be identified and transferred to the principal which become an internal service provider. This can involve various services such as Finance, Information Technologies, Legal, Human Resources, or Enterprise Content Management.

The key advantages of centralisation include reduction of costs through economies of scale, standardised processes and the possibility for the business units to focus on core activities. In addition, the service fees paid to the principal can benefit from a favourable tax regime in the principal country location.

One major example of shared service is related to procurement operations. A procurement centre centralises the purchases of materials, and selects the suppliers, negotiates the contracts and schedules the logistics. Goods are sold with a mark-up either to the manufacturer or to the principal entity as detailed in the figure below.

Figure 15: TASC model for procurement



Intellectual Property (IP) Management

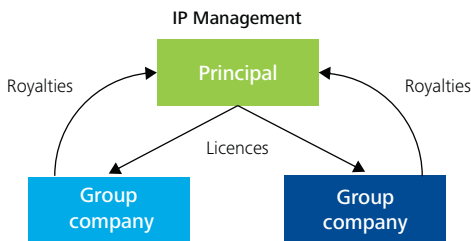
TASC strategies also usually include that the holding and management of intangibles are centralised in a separate entity. The IP company grants licenses for use within the business or for exploitation by third parties, and collects royalties generated by this activity.

The development of IP may also be facilitated by the use of R&D centres which develop new technology/patents, etc. on behalf of the IP company. The R&D centres would be paid a fee for this service.

In this respect, it is important to note that Luxembourg has introduced in 2008 an IP box regime applicable to income received from the use or the right to use software, copyright, patent, trademark, design, model, or domains names and providing for a 80% exemption of net royalty income and capital gain and for full exemption of Net Wealth Tax for qualifying IP assets.

It is also possible that the principal company combine several functions, like IP management or shared services. There are a number of organisational models that can be designed in combination with Tax-Aligned Supply Chain.

Figure 16: IP management



4. How can the Chamber of Commerce help you?

The Chamber of Commerce is a public institution encompassing all sectors of activity other than agriculture and the skilled-craft industry. Today, the Chamber of Commerce has more than 50,000 affiliated members, representing some 80% of GDP and 75% of total employment. The plenary assembly of the Chamber of Commerce consists of 25 elected members representing 6 sectors of activity: trade and other trade related activities; financial participations companies (Soparfi); industry, small and medium-sized industries; banking and other financial activities; insurance; the hotel, restaurant and bar business.

Guardian of wealth creation ...

The rationale behind the Chamber of Commerce is simple: all wealth is created through companies. Thus, the Chamber of Commerce fulfils its role as guardian of the interests of Luxembourg companies by assuming the following tasks:

Promotion of the general economic interest

The primary task of the Chamber of Commerce is to express and represent the general economic interest. On this basis, the Chamber of Commerce promotes an open, dynamic and competitive economy in order to enable

companies to benefit from unrestrained development. It also supports the promotion of Luxembourg companies and products abroad and encourages foreign investment.

An independent mouthpiece for the market economy and critical voice responding to national, European, and international policy-making.

As an accredited and independent mouthpiece for the market and its players, the Chamber of Commerce defends company interests and supports their development and expansion on national, European, and international levels.

Involvement in the legislative procedure

The task of promoting the interests of companies requires the participation of the Chamber of Commerce in the legislative procedure. Within this context, the government has the duty to request the opinion of the Chamber of Commerce regarding any bill or Grand-Ducal Decree related to the sectors of activity represented by the Chamber. In addition, the Chamber of Commerce is entitled to submit bills to the government, to be transmitted to the Chamber of Deputies.

Service provider to business and the general public

Today, the Chamber of Commerce is also primarily a service provider for Luxembourg citizens and all those interested in setting up any commercial, financial or industrial activity in Luxembourg.

Five departments at your service

The Chamber of Commerce comprises five departments that offer a wide range of services:

- Department of Business Creation and Development
- Department for Legal Affairs
- Department of Economics
- Department of International Affairs
- Luxembourg School for Commerce (formerly Department of Education and Training)

5. Cluster for logistics

Luxembourg a.s.b.l.

In order to diversify its economy, the Luxembourg Government has chosen to concentrate its efforts on a few added value sectors offering high growth potential. Logistics is one of the sectors that the Government aims to develop within the framework of its economic development policy and therefore encourages all initiatives that strengthen Luxembourg's position as an intercontinental logistics hub in Europe. The Cluster for Logistics Luxembourg a.s.b.l. fits perfectly into the Government logistics action plan.

The Cluster for Logistics Luxembourg a.s.b.l. is an initiative of seven institutional partners who share these goals and who decided in 2008 to pool their knowhow and resources. The seven founding members of the Cluster for Logistics are the Chamber of Commerce of the Grand Duchy of Luxembourg, the Luxembourg Confederation of Commerce (clc), the Business Federation Luxembourg (Fedil), the Maritime Cluster, the National Agency for Innovation and Research (Luxinnovation), the Public Research Center Henri Tudor and the University of Luxembourg.

The Cluster for Logistics Luxembourg a.s.b.l. was officially launched in March 2009 and today lists some 165 members from 50 private companies and 16 public institutions or agencies.

On June 4th, 2009, a kick-off event raised strong interest and attracted over one hundred participants to explore the opportunities offered by the Cluster for Logistics Luxembourg a.s.b.l..

The Cluster for Logistics Luxembourg asbl has set goals to strengthen collaborations and synergies between different actors, develop new products and services, enhance training opportunities, encourage reflection on legislative and regulatory frameworks, optimise infrastructures, encourage multimodality and support the Government in its approach of positioning Luxembourg as an "international hub" for high value-added logistics.

To reach these objectives, the Cluster federates all institutional actors and private enterprises around different axes of competence. The Cluster does not only focus on logistics companies but also welcomes enterprises making use of logistics services. The work of the Cluster is currently organised in four working groups, which bring together the members of the Cluster that share a special interest in a specific field.

All working groups have either started or continued their work in 2009.

Education and training	The Education and Training Working Group identifies and assesses the education and training programmes offered in the Greater Region with the aim of developing and meeting present and future needs of the logistics sector.
Innovation and Project Development	The Innovation and Project Development Working Group provides a platform for actors from the Logistics sector to identify their present and future needs in terms of both technological and non-technological innovation as a tool for creating added-value.
Legal and Regulatory Framework	The Legal and Regulatory Framework Working Group brings together leading companies, as well as public and private institutions to assess the current legal and regulatory framework and to analyse business needs and requirements.
Additional Working Groups	The recently created Infrastructure Working Group discusses the challenges ahead in terms not only of roads, rail and ports, but also in terms of IT infrastructures.
Website	Additional working groups can be put into place according to the needs and requests of actors that are members of the Cluster.
Cooperation with the Government	In 2009, the Cluster developed a new website, which is now online under: www.clusterforlogistics.lu . This new site collects information and brings together public and private actors to establish an efficient exchange platform. It has a public area presenting the Cluster and its activities as well as a secure area for Cluster members.
Complementarities with the Luxembourg Maritime Cluster	The Cluster for Logistics is in line with the Government's efforts to further diversify the Luxembourg economy. A memorandum of understanding will be signed with the Government in the coming weeks. It will define the relationship between the Cluster public entities and will set up the modalities for the contribution of public funds to the financing of the activities of the Cluster for Logistics.
Global Logistics and Supply Chain management	A special cooperation exists between the Cluster for Logistics and the Luxembourg Maritime Cluster with regards to logistics in the maritime sector, as witnessed by the membership of the Chamber of Commerce in both clusters. Both clusters are complementary and strive to establish a strong cooperation in order to ensure that Luxembourg becomes a successful and diversified intercontinental logistics hub. Membership of the Maritime Cluster in the newly established Cluster for Logistics is therefore a welcome development.

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Abbreviations

AEO	Authorised Economic Operator
CAM	Commisariat aux Affaires Maritimes
CCA	Certification agency
CIT	Corporate Income Tax
ETR	Effective tax rate
GDP	Gross Domestic Products
IATA	International Air Transport Association
IP	Intellectual Property
LPI	Logistic Performance Index
PLDA	Paperless Douanes and Accises
R&D	Research and Development
SW	Single Window for Logistics
SNCH	Société Nationale de Certification et d'Homologation
TASC	Tax Aligned Supply Chain
VAT	Value Added Tax
VMI	Vendor Managed Inventory
WHT	Withholding Tax

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