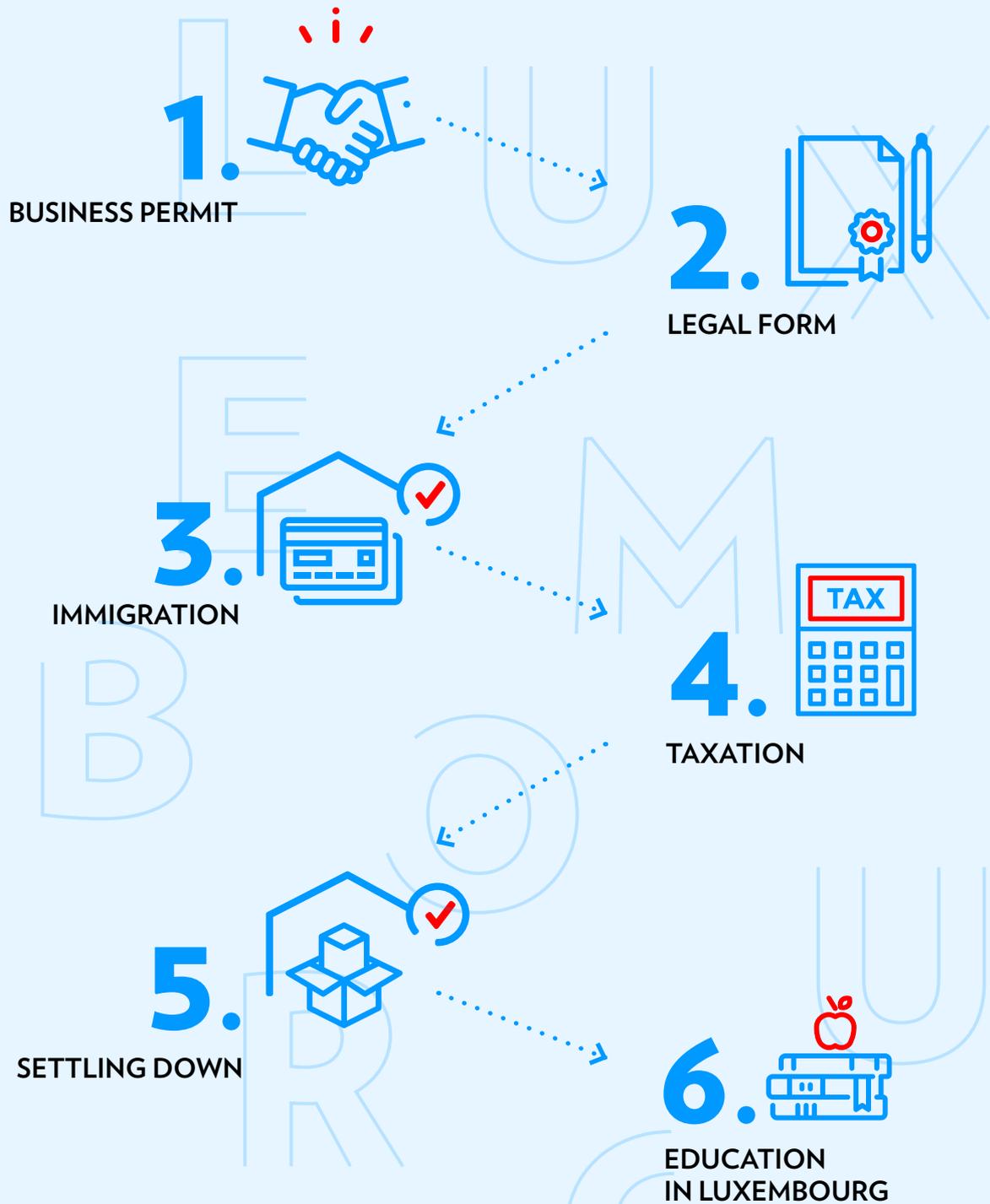


HOW TO SET UP A BUSINESS IN LUXEMBOURG



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1. BUSINESS PERMIT

All businesses established in Luxembourg must acquire the necessary governmental permits. Commercial, skilled craft and industrial activities as well as certain liberal professions are subject to a business permit.

COMMERCIAL ACTIVITIES

Business permits are issued by the **Ministry of the Economy** for regular and lasting activities that fall within the scope of the right of establishment. In order to carry out such activities in Luxembourg, applicants must fulfil certain conditions regarding their qualification and professional integrity and show that their business has a fixed physical establishment here. The required professional qualifications depend on the nature of the business and range from basic knowledge of company management to specific professional qualifications and university education.

The most common business permit for commercial activities concerns **trade activities** (wholesale, retail, provision of commercial services, services which are intellectual in nature and provided by a commercial company, and industrial activities). The Ministry of the Economy also grants investment aids.

OTHER REGULATED ACTIVITIES

Regulated activities require additional professional qualifications and authorisations. Financial institutions and **fintech** companies, for instance, are regulated by the CSSF (“Commission de Surveillance du Secteur Financier”). Companies whose activities can affect workers, people in general and/or the environment require a specific operating permit – commonly referred to as a “commodo/incommodo” permit. Other institutions, for example the Ministry of Health and the Luxembourgish Bar, also regulate some specific types of activities.

To finalise the creation of a business in Luxembourg, the company needs to be registered at the Luxembourg Business Register, at the Joint Social Security Centre and with the tax authorities.

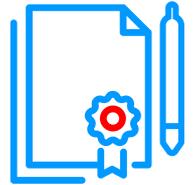
#1 highest labour productivity in the world (GDP generated per hour worked)

Source: 2017 KOF Index of Globalisation

#1 GDP performance in the world (GDP generated per hour worked)

Source: Statista, 2016

2. LEGAL FORM



Whatever the size and nature of their business, it is crucial for entrepreneurs to choose a legal form that suits their project (sole proprietorship or company).

SOLE PROPRIETORSHIP

Establishing a sole proprietorship entails setting up a business as a natural person instead of establishing a separate legal entity. It involves more **flexibility** as well as the the lowest number of administrative procedures and fees for setting up, but also the highest risk as there is no distinction between the entrepreneur's private and commercial property.

COMPANY

To lower the risk, many entrepreneurs choose to establish a company that offers a strict separation between their personal property and that of the company. In this case, the partners' **liability is limited** to the amount of their contributions. Capital companies also have an impersonal nature and rely chiefly on the capital provided by the partners. The most common forms are the following:

- A Public Limited Company (SA) is created through the drawing up of a notarised deed. A minimum capital of €30,000 has to be fully subscribed and paid up to 25% (€7,500) at the incorporation. The SA form facilitates the arrival of new shareholders as well as the access to capital markets.

- A Limited Liability Company (SARL) also has to be created through the drawing up of a notarised deed. A minimum capital of €12,000 has to be fully subscribed and paid at the time of the company constitution. An advantage of the SARL is that initial shareholders are granted a larger control of the ownership of the shares as these cannot be traded freely.
- A Simplified Limited Liability Company (SARL-S) can only be created by a natural person. The incorporation of the company may be effected by a private deed. A minimum capital of between €1 and €12,000 has to be subscribed and paid up to a 100% at the company creation.

Other company forms exist but are not that frequent. All sole proprietorships and companies have to be registered at the Luxembourg Business Register.

About 8,500 SA registered
31.12.2017

Source: Statec, 2018

More than 18,000 SARL registered
31.12.2017

Source: Statec, 2018



3. IMMIGRATION

Any third-country national (a person who is not an EEA national – i.e. from an EU Member State, Iceland, Norway and Liechtenstein – or a Swiss Confederation national) planning to stay in Luxembourg for a period exceeding three months (90 days) must apply for a residence permit before entering the territory.

RESIDENCE PERMIT

An application for a residence permit must be sent to the Immigration Directorate of the **Luxembourg Ministry of Foreign and European Affairs**. The permit may be requested as an employee, a self-employed person, a student, an intern, a researcher or a family member.

For stays that do not exceed three months, third-country nationals are not entitled to carry out an activity as an employee or a self-employed person, unless expressly authorised to do so by the Minister. Third-country nationals who wish to set up a business in Luxembourg on a self-employed basis must fulfil various conditions.

HOW DO I APPLY?

Before entering the country, the person concerned must:

- submit the application to the Immigration Directorate of the Ministry of Foreign and European Affairs;
- be in possession of a valid passport;

The person will then receive a temporary authorisation to stay. After receiving the temporary authorisation to stay, he or she, if necessary, needs then to apply for a long term visa (type D).

After entering the country, the person concerned must:

- make a declaration of arrival in the municipality where he/she will be residing;
- undergo a medical check;
- submit proof of payment of the fee of €80.

After finalising these steps, the person will receive a letter allowing him or her to pick up the final residence permit.

Luxembourg is:

3rd most attractive city to move to for work worldwide

Source: AIRINC, March 2017

Best place for expats to build their careers

Source: Expat Insider Working abroad Index 2016

73% foreign citizens in the workforce

Source: Statec, May 2017

Most international country in the EU

Source: Eurostat, 2015

4. TAXATION



The Luxembourg government recently instigated a tax reform with three objectives: fairness, sustainability and competitiveness.

CORPORATE TAX LAW

The corporate income tax has been reduced over the past years to 18% in 2018. In addition, there is a contribution to the employment fund and a communal business tax that apply to corporate companies. Companies need to pay a net wealth tax based on the total of their balance sheet and the financial items in the balance sheet.

INTELLECTUAL PROPERTY

The new intellectual property taxation allows an exemption of 80% of the eligible income. The regime is based on a nexus approach where expenditures have to be directly linked to the eligible asset and its relative income. In general, patents and software protected by copyright fall within the scope whereas trademarks are excluded.

PERSONAL INCOME TAX RATE

Luxembourg's income tax rate for natural persons is one of the lowest in Europe, particularly for couples. Income tax is based on 23 tax brackets and the maximum marginal tax rate has been 42% since 2017.

Individuals' tax burdens in Luxembourg depend upon their income and the composition of their household. According to the OECD, a married couple with two children and two salaries (100% and 67% of the average salary, respectively) will be taxed at a total rate – including social security contributions – of 26%.

SOCIAL SECURITY

Luxembourg's social security system covers the risks of illness, maternity, disability, death, age and accidents at work and while travelling to and for work.

All companies need to fill in an operating declaration and a declaration of start of employment to the Joint Social Security Centre.

The social security contribution is 25% of the gross salary. A contribution of 16% of the gross salary is made to the pension insurance. Half of this provision (included in the total social security contribution) is covered by the employer, while the other half is deducted directly from the salary of the employee.

Extensive network of more than **80** active double tax treaties and over **20** in negotiation.

The standard VAT rate applicable to the provision of services in Luxembourg is of **17%**, the lowest rate in the European Union.

5. SETTLING DOWN



Luxembourg is an attractive place to live and offers an excellent work-life balance. Short commutes enable you to maintain a healthy and well-balanced family and social life.

FINDING ACCOMMODATION

In Luxembourg, a range of sources are available to provide you with information regarding the real estate market. The Luxembourg housing observatory portal provides information on property prices according to location, for both renting and purchasing. Numerous websites, real estate agencies and relocation agencies can help you find property.

RELOCATION AGENCIES

Relocation agencies can assist you with **administrative procedures** and offer **personalised advice** and assistance to expatriates moving to Luxembourg. Their multilingual teams provide expatriates with logistical assistance and support in completing formalities in order to make settling and integration in Luxembourg easier.

A HOME FOR YOUR BUSINESS

In Luxembourg, there are many private office solutions for your company.

Plots of land and customised buildings are available for companies in industrial zones and business parks.

A number of public and private business incubators in Luxembourg provide office space to companies. Most of them focus on sector-specific activities as well as on **innovation and technology**. In order to be incubated, companies need to follow an application procedure that generally involves the submission of a business plan, interviews and a final committee selection.

#18 for the quality of living

Source: Mercer Quality of Living Survey 2018

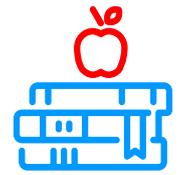
#1 among the safest cities in the world

Source: Mercer Quality of Living Survey 2016

2nd least stressful city in the world

Source: Zipjet The 2017 Global Least and Most Stressful Cities Ranking

6. EDUCATION IN LUXEMBOURG



Because of Luxembourg's fast demographic growth and the fact that over 60% of pupils attending school in Luxembourg are non-native, the offer of the school sector is constantly growing all over the country in order to welcome more and more international pupils.

CHILDCARE

Childcare is affordable, multilingual and accessible from 7am to 7pm and short commutes make parents' lives easier. There are currently over 500 public and private nurseries in Luxembourg. Since 2017, 20 hours of day care per week and per child are free of charge.

PRIMARY AND SECONDARY SCHOOL

Due to Luxembourg's international labour force, a diversified and long-established offer is available in public (free of charge) and private schools where the International, European or French Baccalaureate, British A-levels, the German Abitur and the multilingual Luxembourgish Baccalaureate can be obtained.

HIGHER EDUCATION

Founded in 2003, the University of Luxembourg is multilingual, international and research-oriented. The University has three faculties and three interdisciplinary centres:

- The Faculty of Science, Technology and Communication (FSTC)
- The Faculty of Law, Economics and Finance (FDEF)
- The Faculty of Language and Literature, Humanities, Arts and Education (FLSHASE)

- The Interdisciplinary Centre for Security, Reliability and Trust (SnT)
- The Luxembourg Centre for Systems Biomedicine (LCSB)
- Luxembourg Centre for Contemporary and Digital History (C²DH)

The University of Luxembourg has forged partnerships with 60 universities worldwide and bachelor students must spend at least one semester abroad. The university also offers several cross-border or tri-national bachelor and master degrees.

A number of foreign universities have also set up campuses in Luxembourg. Students from Luxembourg have access to a wide range of universities all over Europe.

#1 for average number of languages spoken by the population in an EU country (3.6 languages)

Source: Eurobarometer

41% of the working population has a higher education

7.12 researchers for every 1,000 workers