FACT SHEET

The Grand Duchy of Luxembourg

October 2013

Introduction

The Grand Duchy of Luxembourg is located in the heart of Europe between Belgium, Germany and France. Despite its small geographical size it has proven to be an attractive and competitive business centre. Luxembourg is a founding member of the European Union, member of all major international institutions as well as a founding member of NATO, the UN and the OECD. Luxembourg is a world leader in fund and asset management and is widely considered to be an ideal place for undertaking numerous business and finance-related activities.

Luxembourg greatly benefits from an attractive tax legislation, a low inflation rate, high GDP, the lowest Value Added Tax rates in Europe and a sound legal and regulatory framework. The country enjoys an excellent quality of life and has become Europe's largest investment fund centre and the 2nd largest worldwide behind the USA.

LUXEMBOURG AT A GLANCE	
Political Status	Independent Constitutional Monarchy
Official Languages	Luxembourgish, French, German
Area	2,586 sq.km.
Population	531.441 (2012)
Currency	Euro
GDP Per Capita	$107,476 (2012)
Inflation Rate	1.68% (August 2013)

LUXEMBOURG LEGAL ENTITIES

Luxembourg's company law is governed by the 10 August 1915 law. Whilst various amendments have been made to incorporate and allow for EU Directives, Luxembourg has maintained a high degree of flexibility in its company laws.

Luxembourg's company law allows for the creation of eight different legal entities. These are:

- A general partnership (Societe en Nom Collectif [S.N.C.])
- Limited partnership (Societe en Commandite Simple [S.C.S.])
- A partnership limited by shares (Societe en Commandit Par Actions [S.C.A.])
- Special Limited Partnership (Societe en Commandit Special [S.C.Sp.]
- Cooperative company; [S.C.]
- A European Company (Societas Europaea [S.E.])
- Public limited liability company (Societe Anonyme [S.A.])
- Private limited liability company (Societe à responsabilite limitée [S.à r.l.])

The most common and sought-after forms are the S.à r.l. and the S.A.

CORPORATE REQUIREMENTS		
	S.à r.l.	**S.A.**
Minimum Number of Shareholders	One	One
Maximum Number of Shareholders	40 (may be a natural person, legal entity, resident or non-resident)	
Number of Directors	Minimum 1 [it is advised to have a Luxembourg director(corporate or physical)]	
Minimum Amount Share Capital	EUR12,500	EUR31,000, 25% of which must be paid up at incorporation
Contribution in kind	Auditor's report not required	Value to be confirmed in an auditor's report
Formation	Company formed through a notarial deed	Company formed through a notarial deed

LUXEMBOURG INVESTMENT FUNDS

There are more than 4149 investment funds registered in Luxembourg (2012), representing approximately 32% of the market share in Europe for investment funds.

As a result of the country's flexible fund legislation, Luxembourg funds may take the form of an investment company with variable capital (SICAV), an investment company with fixed capital (SICAF) or can be set up as mutual funds (FCP).

The 20 December 2002 law structures the Luxembourg investment fund market that is divided into two categories:

- The Undertakings for Collective Investment in Transferable Securities (UCITS – designed for retail investors with the benefit of a European passport to allow for the fund to be freely marketable throughout the EU)
- The Undertakings for Collective Investment (UCIs – can only market their units in other EU countries after complying with the specific regulations of that country)

In 2004, a law governing the Risk Capital Investment Company (SICAR) was passed, specifically targeting private equity funds. The law of 13 February 2007 is specifically targeted for qualified investors (SIF), and offers a lightly regulated and tax efficient fund which can rival traditional jurisdictions such as the Cayman Islands or the BVI.

LUXEMBOURG'S COMPETITIVE ADVANTAGES

- One of the lowest VAT rates in Europe at 15%
  Low effective tax rates. Luxembourg corporations are subject to a corporation tax rate of 29.22%
- Overall, Luxembourg does not levy any income tax, wealth tax or estate duty on investments of non-residents. There is a 10% WHT on interest payments to individuals
- Numerous Double Tax Treaties. Further, there are numerous exemptions in place from withholding tax on dividends
- Flexible company law, excellent legal and tax (advisory) infrastructure
- As of 1 January 2009, capital duty in Luxembourg was abolished
- Luxembourg's geographic position offers easy access to a large market of over 100 million consumers
- Luxembourg on OECD 'white list' as of 8 July 2009
- Tax Ruling System that provides investors with up-front certainty on the tax consequences of their investment decisions

CONCLUSION

As a result of Luxembourg's strategic position, attractive and stable tax regime, as well as its competitive advantages, more and more companies choose to expand their operations into this highly competitive jurisdiction.

NOTES:

The above is intended to provide a brief guide only. It is essential that appropriate professional advice is obtained. Totalserve Management Ltd will be glad to assist you in this respect. Please do not hesitate to contact us.