



Luxembourg

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> INTRODUCTION

Luxembourg, located between Germany, Belgium and France, is one of the six founding members of the European Union.

As it enjoys a strategic geographic position and an attractive fiscal policy, Luxembourg has many foreign investors in its territory.

This jurisdiction is a real paradise for businessmen/investors who wish to carry out their activity benefiting from an unrivalled reputation within the EU.

We must remember, however, that setting up a Luxembourg company requires very specific administrative procedures and total compliance with the **country's** legal and tax regulations

> INCORPORATION OF A COMPANY

The types of companies most frequently used in Luxembourg are the SARL, SA and, less frequently, holdings.

SARL COMPANY

- **There are no limitations** on the **number of shareholders**, their residence or nationality. A single shareholder may be sufficient to set up a company.
- Minimum of one **administrator/manager who** can also be a member.
- The manager can be a natural or legal person.
- **Annual General Meeting:** If a SARL has more than 25 partners, it must be held annually.
- **Minimum capital required of 12 500€** disbursed in full at the time of the incorporation.
- The activities carried out in Luxembourg depend on the legal structure of the incorporated company.
- The address of the registered office must necessarily be at physical offices **in Luxembourg**. (Only accounting consultancies, lawyers' offices or professionals in the financial sector can be used to domicile a company).
- Mandatory to appoint an **auditor if the company has more than 25 partners**.

SA COMPANY

- **There are no limitations** on the **number of shareholders**, their residence or nationality. A single shareholder may be sufficient to set up a company.
- Company managed by a **Board of Directors:**
 - If one shareholder -> 1 member needed.
 - If more than one shareholder-> at least 3 members required and obligation to choose a managing director.
- **Annual General Meeting:** Must be held at least once a year on the date stated in the bylaws.
- **Minimum capital required of 31,000€ - 25% must be disbursed full** at the time of the incorporation.
- The activities carried out in Luxembourg depend on the legal structure of the incorporated company.

- The address of the registered office must necessarily be at physical offices in Luxembourg. (Only accounting consultancies, lawyers' offices or professionals in the financial sector can be used to domicile a company).
- Mandatory to appoint an auditor.
- **Incorporation of the company through a notarial record.** The company acquires its status as such at the time of signing before a notary.

Chronology of registering a company in Luxembourg:

Weeks	0	1	2	3	4
Receipt of documentation and validation	x				
1 Opening of a bank account		x			
2 Signing before a notary		x			
3 Obtaining tax numbers				x	
4 Obtaining the Trade Register number					x
The company acquires legal personality when the bylaws are signed before the notary					

> **TAXATION**

Thanks to its numerous bilateral agreements on taxation, Luxembourg is an excellent option to enjoy minimum tax, read as none. However, all fiscal and financial rules corresponding to the incorporated company's legal structures must be examined since variations can be important.

THESE IMPOSITIONS ARE SUBJECT TO DEDUCTIONS THAT CAN LEAD TO TOTAL EXEMPTION.
(Check with our accountants).

TAXATION FOR SARL AND SA COMPANIES

- A company set up in Luxembourg pays **tax on groups (of companies) of 20 to 22% (based on their income) and tax on capital gains.**
- Tax on dividends of 0% to 15%.
- A contribution to the employment fund of 5%.
- A communal tax on companies of 6 to 10%.
- **The lowest VAT in Europe: 15%** (possible refund on presentation of expense claims: fuel, restaurants ...)
- **Taxes on royalties and interest are 0%.**
- Wealth tax of 0%.
- Furthermore, companies set up in the Grand Duchy **are not required to maintain or to file their accounts.**

SOPARFI TAXATION REGIME FOR SARL AND SA: AN ATTRACTIVE TAXATION

SOPARFI are limited liability companies (with financial holding) within the domain of the Common Law that enjoy the European regime against double taxation and numerous tax advantages. They are more specifically commercial companies whose main object is to get shares in Luxembourg or foreign companies and run the management of such shareholdings. This allows commercial and financial activities to be conciliated under the same legal structure.

If the SOPARFI do not have as sole activity the detention of shares, it will benefit from the "Company Matrices and Subsidiaries" regime policy, under which it may be exonerated at the same time of dividends received by its subsidiaries and capital gains at the time of sale of their shares:

- Total exemption from tax on dividends
 - The SOPARFI must:
 - Have at least 10% of the capital of the subsidiary.
 - The purchase price of the share must be at least € 6,000,000 for a minimum period of one year.
 - The subsidiary must be:
 - Either a taxable Luxembourg corporation.
 - Either a non- Luxembourg Corporation not subject to the corresponding tax on groups (corporation tax).
 - Either a company resident in a member country of the European Union subject to corporation tax in their country of residence.
 - If the parent company is not set up within the EU, a rate planned by the international convention shall apply to prevent double taxation.
- Exemption of capital gains on the transfer of shares

Identical conditions to the exemption of dividends.

TAXATION REGIME FOR SARL AND SA: SOLUTION FOR HOLDINGS

- The activity of the **Family Asset Management Company** is limited to the acquisition, custody, management and liquidation of financial assets such as:
 - Stocks, parts of private companies or those listed on the Stock Exchange
 - Fixed term accounts, common Luxembourg investment or foreign funds
 - Structured products, precious metals, options, currencies, etc..
 - Guarantee or advance funds to its subsidiaries (interest-free)
- The SPF cannot carry out any business, own assets nor have intellectual property rights. It can only have entities that carry out these activities.
- The SPF is exempt from the following taxes: corporate, income, business, communal and wealth.
- Registration fee of 0.25% of the capital released.

> SUMMARISED COUNTRY FACT SHEET

COUNTRY'S FEATURES	
Geographic location	Between Germany, Belgium and France
Political regime	Constitutional monarchy
Population	509,074 (2012)
Language	Luxembourgish, French and German
Currency	Euro
Time zone	GMT +1

CHARACTERISTICS OF INCORPORATION OF A COMPANY		
Type of company	SARL - (SOPARFI REGIME)	SA (SOPARFI REGIME)
Capital required	€ 12,500 - disbursed in full at the time of incorporation	€ 31,000 - 25% disbursed at the time of constitution
Legal system	Civil Law	Civil Law
Number of directors/shareholders	Minimum 1 administrator/1 shareholder	Minimum 1 administrator/1 shareholder
Anonymity and confidentiality	The name of the administrators is public (published in the Official Journal and available on the RCS), so the service of a trustee with a power of attorney can be used	The name of the administrators is public (published in the Official Journal and available on the RCS), so the service of a trustee with a power of attorney can be used
Secretary service	No	No
Corporate tax	Income Tax of the Groups (ICC) + tax on wealth (IF) If income <€ 15,000: 20% If income >€ 15,000: 21%	Income Tax of the Groups (ICC) + Tax on wealth (IF) If income <€ 15,000: 20% If income >€ 15,000: 21%
Wealth tax	0%	0%
Tax on dividends	Between 0 and 15%	Between 0 and 15%
VAT	15% (standard)	15% (standard)
Government taxes	Yes: 75 €	Yes: 75 €
Accounting requirements	Mandatory to keep accounts and file annual reports	Mandatory to keep accounts and file annual reports
Bearer shares	Registered: with a register recording the identity of the partners, the mention of assignments and the date of notification or acceptance	Registered or bearer Registered until their release but, if requested by the shareholder, may be converted into bearer shares.
Exchange control - non-residents	No	No

➤ Please contact one of our consultants in London, Geneva and Barcelona for more information

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