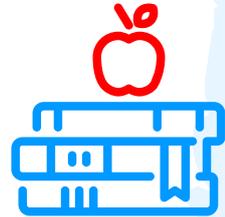
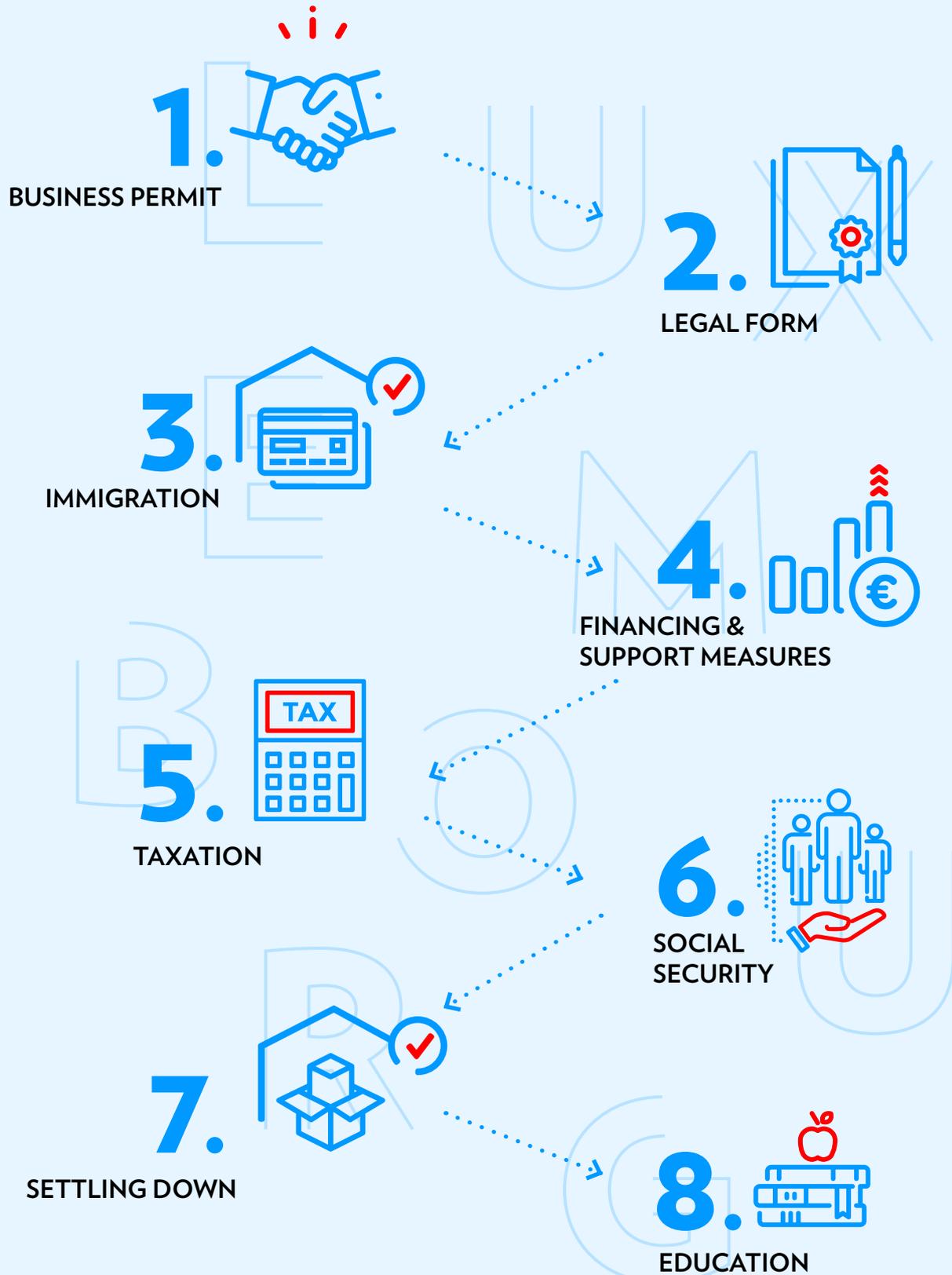


# HOW TO SET UP A BUSINESS IN LUXEMBOURG



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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 qualifications and professional integrity and show that their business has a fixed physical establishment in Luxembourg. The required professional qualifications depend on the nature of the business and range from free access to specific professional qualifications and university degrees.

The most common business permit concerns **trade activities** (wholesale, retail, provision of commercial services, services which are intellectual in nature and provided by a commercial company, and industrial activities).

## 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.

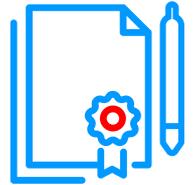
Other institutions, for example the Ministry of Health and the Luxembourgish Bar, also regulate specific activities.

To finalise the creation of a business in Luxembourg, the company needs to be registered at the necessary institutions such as 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: 2019 KOF Index of Globalisation

## 2. LEGAL FORM



Whatever the size and nature of their business, it is crucial for entrepreneurs to choose a [legal form](#) that suits their activity (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 least 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 allows 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 that holds a business permit from the Ministry of the Economy. The incorporation of the company may be affected 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. Sole proprietorships and companies have to be registered at the [Luxembourg Business Register](#).

More than 750 SAs created in 2019

Source: Luxembourg Business Register

More than 6,500 SARLs established in 2019

Source: Luxembourg Business Register



# 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, a family member or for personal reasons.

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. Afterwards, the applicant needs 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 administration 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:

**3<sup>rd</sup>** most attractive city to move to for work worldwide

*Source: AIRINC, March 2019*

**3<sup>rd</sup>** best place for expats to build their careers

*Source: Expat Insider Working Abroad Index 2019*

Most international country in the EU

*Source: Eurostat, 2019*

# 4. FINANCING AND SUPPORT MEASURES



Companies that establish a sustainable presence in Luxembourg can draw on several financing and support measures that help them expand their activities, develop innovative concepts and products and strengthen their competitiveness.

## INVESTMENT AID

Small or medium-sized companies (SMEs) with **investment projects** whose objective is to promote the creation, development, diversification or fundamental change of the production process, may be eligible for [investment aid for SMEs](#).

## R&D AND INNOVATION

Public financial aids can potentially complement the private funding of innovative companies. [Subsidies for R&D and innovation projects](#) are granted by the Ministry of the Economy to companies with substantial activities in Luxembourg. R&D and innovation schemes can co-finance the feasibility as well as the research and development of innovative products. Expenses will be reimbursed based on real costs.

Other aids co-finance technical intellectual property protection, external advisory services related to innovation or access to temporary secondment of highly qualified staff.

## YOUNG INNOVATIVE ENTERPRISE MEASURE

A dedicated scheme to [young, innovative enterprises](#) can co-finance the cash-flow need of a start-up during its growth phase by matching equity investments.

## PHD AND POSTDOCTORAL RESEARCH

The National Research Fund's [AFR Grant Scheme](#) ("Aide à la Formation-Recherche") supports **PhD and postdoctoral research training projects** in Luxembourg and abroad.

# 5. TAXATION



Companies in Luxembourg are subject to corporate tax and have to apply value added tax (VAT) to their products and services. Individuals are taxed based on their personal situation.

## CORPORATE TAX LAW

The [corporate income tax](#) has been set in 2020 between 15 and 17% depending on the company's profit according to the commercial balance sheet. An additional charge of 7% is levied on corporate income tax as a contribution to the employment fund. A communal business tax between 6% and 12%, depending on the municipality, applies to corporate companies.

In addition, companies need to pay a net wealth tax based on the total assets and structure of the balance sheet ranging from €535 to €32,100 per year (the wealth tax is not applied to sole proprietorship).

## LUXEMBOURG VAT RATES

The standard [VAT rate](#) applicable to the provision of services in Luxembourg is at 17%. It is the **lowest in the European Union**.

Companies that are subject to VAT need to make an initial declaration to the Indirect Tax Authority in order to receive a [VAT identification number](#).

## PERSONAL INCOME TAX RATE

Workers in Luxembourg are granted a tax class based on their personal situation. The three tax classes are as follows:

### Class 1:

- married taxpayers who have opted for separate taxation;
- single people;
- some married non-resident taxpayers;

### Class 1a:

- people aged at least 65;
- single parents with a dependent child;

### Class 2:

- married taxpayers;
- widowed taxpayers (for the first three years after the death of the spouse);
- divorced or separated people (for the first three years);
- civil partners;
- some married non-resident taxpayers.

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 highest marginal tax rate amounts to 42% since 2017.

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%.



## 6. SOCIAL SECURITY

Luxembourg has a highly developed and efficient social security system that covers a wide range of situations.

### SOCIAL SECURITY SYSTEM

[Luxembourg's social security system](#) covers the risks of **illness, maternity, disability, death, age and insures accidents** as in private life as well as in a professional framework.

All companies need to fill in an operating declaration and a declaration of start of employment to the [Joint Social Security Centre](#), which handles the data, registration of affiliations and collection of contributions for the different insurance funds.

They can voluntarily join the [Employers' Mutual Insurance Scheme](#) (Mutualité des Employeurs) to meet any financial liabilities resulting from a loss of income due to sickness.

Family members to a self-employed person who depend on the self-employed worker benefit from health insurance are co-insured, on condition that they are not personally registered to the joint social security. The conditions for co-registration under one insurance scheme vary depending on whether the insured person is a Luxembourg resident or not.

### SOCIAL SECURITY CONTRIBUTION

The social security contribution accounts for 25% of the gross salary. A contribution of 16% of the gross salary is made to 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.

Luxembourg's healthcare system remains the best in the world.

*Source: The Legatum Prosperity Index, Legatum Institute, 2018*

Luxembourg ranks among the countries with the highest health expenditure

*Source: World Health Organisation, 2019*

The life expectancy of Luxembourg residents is among the highest in Europe: 86 years for women and 81 years for men

*Source: World Health Organisation, 2018*



# 7. **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. Luxembourg City ranks 1st out of 230 cities in terms of safety according to Mercer's Quality of Living Survey, 2019.

## FINDING ACCOMMODATION

A range of sources are available that provide you with information regarding the real estate market. The [portal of Luxembourg's housing observatory](#) provides information on property prices according to location, both for renting and buying. Numerous websites, real estate agencies and relocation agencies can help you find the right property.

## RELOCATION AGENCIES

Relocation agencies can assist you with **administrative procedures** and offer **personalised assistance** to expatriates moving to Luxembourg. Their multilingual teams provide logistical support making settling down in Luxembourg as easy as possible.

## 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.

Several public and private business incubators provide office space. 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.

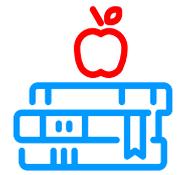
**#1** among the safest cities in the world

*Source: Mercer Quality of Living Survey 2019*

**2<sup>nd</sup>** least stressful city in the world

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

# 8. EDUCATION



Luxembourg's offer in terms of schooling constantly grows all over the country in order to welcome more international pupils and students. School attendance is compulsory between the ages of 4 and 16 years and includes a minimum of twelve years, divided between primary and secondary school.

## CHILDCARE AND KINDERGARTEN

Childcare is affordable and multilingual with currently over 500 public and private nurseries in Luxembourg. 20 hours of day care per week and per child are free of charge. The first two years of compulsory education for children aged 4 to 6 take place in Kindergarten (the so-called "Spillschoul").

## PRIMARY SCHOOL

All children aged 6 by 1st September of the year in question must start primary school education. Children are directly introduced to **German** and start with **French** during the second year. **English** is only introduced in the secondary education.

Some schools offer primary education in English. Alternatives to public education are offered by several private and international establishments, and some of them offer tuition in English right from the start.

## SECONDARY SCHOOL

Due to Luxembourg's uniquely international labour force, a [diversified and long-established offer](#) is available in public (free of charge) and private schools. In addition to the regular Luxembourgish schooling system, many international schools offer tuition in English and French.

## HIGHER EDUCATION

Founded in 2003, the [University of Luxembourg](#) is highly **multilingual, international and research-oriented**. It has three faculties and three interdisciplinary centres and ranks among the most international universities in Europe. It has forged partnerships with 78 universities worldwide.

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

*Source: Eurobarometer, 2019*

**41%** of the working population has a higher education

*Source: OECD, 2019*