



DOING BUSINESS IN LUXEMBOURG

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Introduction



CAPITAL: LUXEMBOURG



POPULATION

Total Population: 607,728

Natural Increase: 1.9%

Density: 250 Inhabitants/km²

Urban Population: 91.0%

Population of main cities: Luxembourg (111,287); Esch-sur-Alzette (33,286); Differdange (24,304); Dudelange (19,734); Pétange (17,582); Sanem (15,415)

Ethnic Origins: About 63% Luxembourger, 13% Portuguese, 5% French, 4% Italian, 2% German, 8% other EU and 5% other

Official Language: Luxembourger.

French is used for written legislation. Moreover, French, Luxembourg and German are used as administrative and judicial languages. French is the common language of the Administration, especially in writing. Luxembourger is the most frequently used language in private life. Television in Luxembourg is in French but radio broadcasts in the three languages.

Other Languages Spoken: The majority of Luxembourgers also speak French, German and English.

Business Language(s): Luxembourger, English, French and German.

Religion: Catholicism is the most widespread religion (95%).

National Currency: Euro (EUR)



COUNTRY OVERVIEW

Area: 2,590 km²

Type of State: The Grand Duchy of Luxembourg is a parliamentary democracy with a constitutional monarchy.

Type of Economy: High-income economy, OECD member.

The highest per capita GDP in the world; finance is the dominant sector.

HDI*: 0.892/1

HDI (World Rank): 19/188

Note: () [The HDI](#), Human Development Index, is an Indicator Which Synthesizes Several Data Such as Life Expectancy, Level of Education, Professional Careers, Access to Culture etc.*



TELECOMMUNICATION

Telephone Code:

To call from Luxembourg, dial 00

To call Luxembourg, dial +352

Internet Suffix: .lu

Computers: 62.4 per 100 Inhabitants

Telephone Lines: 51.0 per 100 Inhabitants

Internet Users: 92.0 per 100 Inhabitants

Access to Electricity: 100% of the Population

Foreign Trade in Figures

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods <i>(million USD)</i>	26,701	23,431	21,657	22,560	24,024
Exports of Goods <i>(million USD)</i>	19,243	17,298	15,813	15,734	16,292
Imports of Services <i>(million USD)</i>	77,029	71,997	71,763	76,287	86,231
Exports of Services <i>(million USD)</i>	99,455	95,111	94,579	101,751	112,586

Source: WTO - World Trade Organisation, 2017

[See the latest updates in the Country Profile for Luxembourg.](#)

Latest Update: December 2019

Business Environment

ACCOUNTING RULES

Tax Year	The fiscal year begins on January 1st and ends on December 31 of the same year.
Accounting Standards	Starting on January 1, 2005, the EU ruling CE 1606/2002 imposes on all listed companies publishing their consolidated accounts a duty to establish their financial statements in I.A.S./I.F.R.S.
Accounting Regulation Bodies	The Accounting Regulatory Committee under the European Commission Luxembourg Accounting Norms Commission International Accounting Standards Board
Accounting Reports	<p>The general principles of Luxembourg accounting are:</p> <ul style="list-style-type: none"> - The principle of clarity and regularity ; - The principle of fidelity ; - The principle of continuity. <p>The annual accounts consist of:</p> <ul style="list-style-type: none"> - A balance sheet ; - A profit and loss account ; - An appendix. <p>The balance sheet and the profit and loss account must be established following the scheme determined by the 4th EU directive as they have been transposed into the law. In principle, the duration of an accounting year cannot exceed one year. The closing date of the accounting year must in principle agree with that of the fiscal year, being December 31. Annual accounts must be established in one of the country's three administrative languages (French, English, Luxembourgish).</p>
Publication Requirements	<p>The publication obligations of a company vary according to its size. For more details consult the fourth directive (78/660/CEE) as modified by the directive 2003/38/CE.</p> <p>Small companies can establish a balance sheet, a profit and loss account as well as an appendix in an abridged form. They are not obliged to present a management report, contrary to other companies. They can publish only the abridged balance sheet and an appendix.</p> <p>Medium companies and large companies have to publish a balance sheet, a profit and loss account, an allocation of earnings proposal, the administrators and auditor's identity, an annual report and the report of the independent auditor. The management report must contain a faithful presentation of the evolution of the company's business and situation.</p> <p>In addition to this, the EU directive of July 19, 2002 orders all listed European companies to establish, starting from the 2005 accounting year, their consolidated annual accounts based on the IAS/IFRS normas.</p>
Professional Accountancy Bodies	OEC , The Luxembourg Order of Chartered Accountants
Certification and Auditing	The control of medium and big companies must be made by one or several independent auditors of companies, appointed by the general assembly among the members of the Institute of Independent Auditors of Companies. The control of small companies must be made by an accountant appointed by the general assembly for definite duration.

[The Institute of Auditors of Companies \(IRE\)](#)

Accounting News

[Website of the Chartered Accountants' Order IAS Plus](#)

TAX RATES

Consumption Taxes

Nature of the Tax	VAT (Value-Added Tax)
Tax Rate	17%
Reduced Tax Rate	A 3% rate applies to foodstuffs, books, pharmaceuticals, medical transport, newspapers, admission to cultural, sporting and entertainment events, hotels, restaurants. An 8% rate applies to supply of gas and electricity, bikes and domestic services. A 14% rate applies to advertising brochures and other prints, steam, heating and cooling, wine of grapes with alcohol level up to 13%, custody and management of securities, tailored clothes for men. Exports are zero-rated. Some financial, health and medical services and leasing of immovable property are exempt from VAT.
Other Consumption Taxes	Excise duties are levied on certain products, notably on wine and spirit. More detailed information on excise duties is available on the European Commission website.

Learn more about [Service Providers in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Corporate Taxes

Company Tax	18% (for taxable income above EUR 30 000)
Tax Rate For Foreign Companies	Qualifying investment funds are exempt from corporate income tax and municipal business tax. The new intellectual property regime exempts up to 80% income from the commercialisation of certain IP rights and 100% from net wealth tax.
Capital Gains Taxation	Capital gains and losses are treated as ordinary income and are subject to corporate tax. Capital gains from the sale of shares may be exempt from tax if the payee maintains or undertakes to maintain their participation, directly or indirectly, for an uninterrupted period of at least 12 months and that the participation does not fall below 10% or a purchase price of EUR 6 million during this period.
Main Allowable Deductions and Tax Credits	Depreciation of tangible and intangible assets is tax deductible. Goodwill can be amortised over its useful life, if it cannot be measured otherwise, the amortisation period is limited to ten years. Start-up expenses can be charged directly to the profit and loss account of the year in which they are incurred, or amortised over a period of five years. Interest charges are deductible as long as they are consistent with the arm's length principle. Bad debts are generally deductible. Donations to charitable organisations are deductible up to 20% of net income or EUR 1 million (the minimum amount being EUR 120). The excess amount of donation can be deducted over two years. Compensation payments and severance pay are deductible up to EUR 300,000. Fines and penalties are not deductible. Taxes, with the exception of corporation tax, municipal tax and wealth tax are generally deductible. Tax losses incurred through the years ending on 31 December 2016 may be carried

forward indefinitely. Losses incurred after this date may be carried forward up to 17 years. The carryback of losses is not permitted.

Payments to foreign subsidiaries (royalties, management fees, interest paid by a Luxembourg company to foreign subsidiaries) are deductible as long as they respect the arm's length principle.

Other Domestic Resources

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Country Comparison For Corporate Taxation

	Luxembourg
Number of Payments of Taxes per Year	23.0
Time Taken For Administrative Formalities (Hours)	55.0
Total Share of Taxes (% of Profit)	20.5

Source: Doing Business - Latest available data.

Individual Taxes

Tax Rate

Individual tax rate	Progressive rate from 0% to 42% (Effective tax liabilities vary depending on the marital status of the taxpayer: single taxpayer, married or civil partners, single persons with children or senior citizens)
EUR 0 - 11,265	0%
EUR 11,265 - 13,173	8%
EUR 13,173 - 15,009	9%
EUR 15,081 - 16,881	10%
EUR 16,881 - 18,753	11%
EUR 18,753 - 20,625	12%
EUR 20,625 - 22,569	14%
EUR 22,569 - 24,513	16%
EUR 24,513 - 26,457	18%
EUR 26,457 - 28,401	20%
EUR 28,401 - 30,345	22%
EUR 30,345 - 32,289	24%
EUR 32,289 - 34,233	26%
EUR 34,233 - 36,177	28%
EUR 36,177 - 38,121	30%
EUR 38,121 - 40,065	32%
EUR 40,065 - 42,009	34%
EUR 42,009 - 43,953	36%
EUR 43,953- 45,897	38%
EUR 45,897- 100,002	39%

EUR 100,002 - 150,000	40%
EUR 150,000 - 200,004	41%
More than EUR 200,004	42%
Solidarity Surtax	A solidarity tax of 7% of taxes (9% for single taxpayers earning more than EUR 150,000).

Allowable Deductions and Tax Credits	Subject to limitations, deductions are permitted for insurance premiums for life, accident, sickness (up to EUR 672 per person); individual pension schemes (up to EUR 1 200 per year); alimonies and annuities; childcare and housekeeping cost; charitable contributions; interest on personal and mortgage loans, etc. Business expenses give rise to a minimum lump-sum deduction of EUR 540. Commuting expenses can be deducted up to EUR 2 574 per year. A standard deduction of EUR 480 applies to all taxpayers (doubled if the partner of the taxpayer is also employed). Couples filing for joint tax declaration benefit from a lump-sum allowance of EUR 4 500 per year.
Special Expatriate Tax Regime	Non-residents are only taxed on their Luxembourg-source income. Non-residents may also deduct their social security contributions paid in Luxembourg and the lump-sum standard deduction of EUR 480.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed	List of countries that have a tax agreement with Luxembourg.
Withholding Taxes	Dividends: 0/15%, Interest: 0%/15% (interest on profit-sharing bonds and debt instruments with remuneration), Royalites: 0%

Sources of Fiscal Information

Tax Authorities	Administration of Direct Taxes
Other Domestic Resources	Customs and Excise Tax Administration (in French only) Luxembourg Registration Duties, Estates and VAT Authority (in French only) Luxembourg Tax Guide

Learn more about [Taxes and Accounting in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

INTELLECTUAL PROPERTY

National Organisations	The body in charge of the protection of intellectual property in Luxembourg is the Service of the Intellectual property of the Ministry of the Economy . Concerning industrial property, Luxembourg signed the Paris Convention . Information on patents from the Center for Technological Monitoring . Concerning trademarks, a single recording allows to protect these at the same time in Luxembourg, in Belgium and in the Netherlands.
International Membership	Signatory to the Paris Convention For the Protection of Intellectual Property

National Regulation and International Agreements

Type of property and law	Validity	International Agreements Signed
Patent Patent Law on April 18, 2004	20 years	Patent Cooperation Treaty (PCT)
Trademark Uniform Benelux Trademark Law of December 2, 1992	10 years, indefinitely renewable for consecutive 10-year periods	Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks
Design Uniform Benelux Designs Law July 13, 1973 and Community Council ruling 6/2002 of December 12, 2001, on communitarian designs or models	Five years, renewable every five years during a period of 25 years maximum	
Copyright Law of April 18, 2004	For the length of the author's life and 70 years after his death	Berne convention For the Protection of Literary and Artistic Works Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms Rome Convention For the Protection of Performers, Producers of Phonograms and Broadcasting Organizations WIPO Copyright Treaty WIPO Performances and Phonograms Treaty
Industrial Models Benelux Law of January 1, 1971		

LEGAL FRAMEWORK

Independence of Justice	The judiciary in Luxembourg is independent, however its judges are appointed by the Grand Duke.
Equal Treatment of Nationals and Foreigners	Foreign nationals can expect an impartial trial from the country's judicial system.
The Language of Justice	The judicial languages used in Luxembourg are French, German and Luxembourgian .
Recourse to an Interpreter	Luxembourg is a multilingual country accustomed to using German, French and English interpreters.
Sources of the Law and Legal Similarities	The main source of the law is the constitution of 1868 (revised several times). The country's legal system is based on civil law system. Luxembourg accepts compulsory ICJ jurisdiction. Being member of the European Union, the country's national law needs to comply with the conditions of the Community legislation.
Checking National Laws Online	The Luxembourg judicial portal Judicial information of the Ministry of Justice

Learn more about [Lawyers and Legal in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

STANDARDS

National Standards Organisations	ILNAS , The Luxembourg Institute for Normalization, Accreditation, Product Safety and Quality depends on the Ministry of Economy and external trade.
Integration in the International Standards Network	The body of standardization and certification is the The Luxembourg Institute for Normalization, Accreditation, Safety and Quality of Products and Services (ILNAS) . Luxembourg is a member of the European Committee of Standardization (CEN) , the European Committee of Electronic Standardization (CENELEC) , the ETSI Standardization of Telecommunication (ETSI) , the International Organization of Standardization (ISO) and the International Electrotechnics Commission . Certain products, whatever their origin is, should be submitted to the technical rules which give rise to a ratification meeting EC standards.
Classification of Standards	Luxembourg upholds international standards (ISO, IEC), European standards (CE), and newly created national standards (ILNAS/OLN).
Online Consultation of Standards	A catalog of norms is available at the Luxembourger Standardization Body .
Certification Organisations	ILNAS The Luxembourg Institute for Normalization, Accreditation, Safety and Quality of Products and Services

BUSINESS PRACTICES

General Information	Passport to trade , Luxembourgian business culture Expatica , Business culture in Luxembourg Commisceo Global , Luxembourg Guide: Language, Culture, Customs and Etiquette Communicaid , Business Practices in Luxembourg
Opening Hours and Days	Businesses: from Monday to Friday from 8.30 AM to 12 AM and from 2 PM to 6 PM. Banks: from Monday to Friday, from 8.30 AM to 4.30 PM and some of them are open on Saturday from 9 AM to 1 PM.

Public Holidays

New Year's Day	January 1
Holy Friday	March/April
May Day	May 1
Ascension	May
Whit Monday	May/June
National Holiday	June 23
Assumption	August 15
All Saints Day	November 1
Christmas Day	December 25
Saint Stephen's Day	December 26

Periods When Companies Usually Close

New Year's Day	January 1
Holy Friday	A weekend in March/April
Easter Monday	A weekend in March/April
National Holiday	June 23
Christmas holidays	December 25 and 26

Latest Update: December 2019

Economic and Political Overview

FOREIGN TRADE IN FIGURES

The share of foreign trade in the country's GDP represents 424% (World Bank, 2017). According to Comtrade data, Luxembourg mainly exports machinery (12.8%), iron and steel (12.1%), plastics (9.2%), and vehicles (7.8). The country's main imports are vehicles (13.7%), machinery (10%), mineral fuels (8.5%), electronic equipment (6.1%), iron and steel (6%)

Luxembourg is very defendant on its EU partners: more than 83% total imports of goods came from another member state, and trade activities with its three neighboring countries represent more than 50%. Its main costumers are Germany (26.9%), France (14.8%), Belgium (11.6%) and Netherlands (5.6%). Its main suppliers are Belgium (24.3%), Germany (24.1%), France (11.8%) and United States (5.2%). Trade with its three neighbouring countries represents more than 50% of total exports and imports. Luxembourg is trying to diversify its exports outside the European Union, and the country currently has significant trade relations with Asian and Middle Eastern countries.

The country has a structural trade deficit. In 2017, export fell to USD 15.7 billion while imports grew to USD 22.5 billion, 12%, resulting in a trade deficit of USD 6.8 billion. However, Luxembourg's trade balance is highly positive when services are included (USD 21.5 billion). Growth momentum in the euro area will support solid exports of financial and non-financial services.

Foreign Trade Indicators	2014	2015	2016	2017	2018
Imports of Goods (<i>million USD</i>)	26,701	23,431	21,657	22,560	24,024
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Imports of Services (<i>million USD</i>)	77,029	71,997	71,763	76,287	86,231
Exports of Services (<i>million USD</i>)	99,455	95,111	94,579	101,751	112,586
Imports of Goods and Services (<i>Annual % Change</i>)	19.5	3.4	1.6	0.6	-0.3
Exports of Goods and Services (<i>Annual % Change</i>)	16.4	4.7	2.6	0.7	0.5
Imports of Goods and Services (<i>in % of GDP</i>)	180.2	187.2	177.6	182.5	175.5
Exports of Goods and Services (<i>in % of GDP</i>)	212.6	221.2	213.0	217.6	211.6
Trade Balance (<i>million USD</i>)	253	-1,673	-2,285	-1,926	-2,062
Trade Balance (Including Service) (<i>million USD</i>)	22,619	21,756	22,717	23,448	26,187
Foreign Trade (<i>in % of GDP</i>)	392.8	408.4	390.7	400.1	387.1

Source: WTO - World Trade Organisation ; World Bank , Latest Available Data

Main Partner Countries

Main Customers (% of Exports)	2018	Main Suppliers (% of Imports)	2018
Germany	26.3%	Belgium	25.5%
France	14.7%	Germany	23.3%
Belgium	11.8%	France	12.5%
Netherlands	6.0%	Netherlands	3.9%

Main Customers <i>(% of Exports)</i>	2018
Italy	4.0%
United Kingdom	3.5%
United States	2.9%
Poland	2.7%
Spain	2.5%
Austria	1.9%

Main Suppliers <i>(% of Imports)</i>	2018
United States	3.6%
Italy	3.1%
China	2.7%
Japan	2.4%
Poland	1.7%
United Kingdom	1.5%

Source: Comtrade, Latest Available Data

Main Products

15.2 bn USD of products exported in 2018	
Angles, shapes and sections of iron or non-alloy steel, n.e.s.	7.0%
New pneumatic tyres, of rubber	4.0%
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	3.8%
Sheet piling of iron or steel, whether or not drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel	3.0%
Flat-rolled products of iron or non-alloy steel, of a width \geq 600 mm, hot-rolled or cold-rolled cold-reduced, clad, plated or coated	2.5%
Paper, paperboard, cellulose wadding and webs of cellulose fibres, coated, impregnated, covered, surface-coloured, surface-decorated or printed, in rolls or in square or rectangular sheets, of any size (excl. goods of heading 4803, 4809 and 4810)	2.4%
Machinery for working rubber or plastics or for the manufacture of products from these materials, not specified or included elsewhere in this chapter, parts thereof	2.2%
Nonwovens, whether or not impregnated, coated, covered or laminated, n.e.s.	2.2%
Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls (excl. floor, wall and ceiling coverings of heading 3918)	2.0%
Articles for the conveyance or packaging of goods, of plastics; stoppers, lids, caps and other closures, of plastics	1.9%

23.1 bn USD of products imported in 2018	
Motor cars and other motor vehicles principally designed for the transport of persons, incl. station wagons and racing cars (excl. motor vehicles of heading 8702)	10.1%
Petroleum oils and oils obtained from bituminous minerals (excl. crude); preparations containing \geq 70% by weight of petroleum oils or of oils obtained from bituminous minerals, these oils being the basic constituents of the preparations, n.e.s.; waste oils containing mainly petroleum or bituminous minerals	7.9%
Ferrous waste and scrap; remelting scrap ingots of iron or steel (excl. slag, scale and other waste from the production of iron or steel; radioactive waste and scrap; fragments of pigs, blocks or other primary forms of pig iron or spiegeleisen)	3.2%
Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses incl. those in the form of transdermal administration or in forms or packings for retail sale (excl. goods of heading 3002, 3005 or 3006)	1.9%
Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras	1.6%
Cheese and curd	1.4%

23.1 bn USD of products imported in 2018

Waste and scrap, of aluminium (excl. slags, scale and the like from iron and steel production, containing recoverable aluminium in the form of silicates, ingots or other similar unwrought shapes, of remelted waste and scrap, of aluminium, ashes and residues from aluminium production)	1.3%
Automatic data processing machines and units thereof; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, n.e.s.	1.3%
Powered aircraft e.g. helicopters and aeroplanes; spacecraft, incl. satellites, and suborbital and spacecraft launch vehicles	1.2%
Parts and accessories for tractors, motor vehicles for the transport of ten or more persons, motor cars and other motor vehicles principally designed for the transport of persons, motor vehicles for the transport of goods and special purpose motor vehicles of heading 8701 to 8705, n.e.s.	1.1%

Source: Comtrade, Latest Available Data

See More Products [More imports \(Intracen Data\)](#)
[More exports \(Intracen Data\)](#)

MAIN SERVICES

95.4 bn USD of services exported in 2016	
Financial services	55.19%
Other business services	20.46%
Cultural and recreational services	4.83%
Transportation	4.46%
Travel	4.27%
Insurance services	3.42%
Communications services	2.64%
Royalties and license fees	2.08%
Computer and information services	1.74%
Government services	0.52%
Construction services	0.39%

71.8 bn USD of services imported in 2016	
Financial services	53.58%
Other business services	19.67%
Cultural and recreational services	5.88%
Royalties and license fees	5.00%
Transportation	4.18%
Travel	3.94%
Computer and information services	3.10%
Insurance services	2.36%
Communications services	1.73%
Construction services	0.49%
Government services	0.07%

Source: United Nations Statistics Division, Latest Available Data

POLITICAL OUTLINE

Executive Power	The chief of the state is the Grand Duke. The monarch is hereditary. Following popular parliamentary elections, the leader of the majority party or the leader of the majority coalition is appointed as Prime Minister by the monarch to serve a five-year term. Prime Minister is the head of the government and enjoys the executive powers which include implementing of the law and running the day-to-day affairs of the country. The Council of Ministers (cabinet) is recommended by the Prime Minister and appointed by the monarch.
Legislative Power	The legislative power is based on the joint action of the Chamber of Deputies, the Government and the Council of State. The Chamber of Deputies, composed of 60 deputies elected for five years by universal suffrage and proportional, has the main function of voting bills. Its members also have a right of "parliamentary initiative" which is exercised by the presentation of bills, but which remains moderately used.
Main Political Parties	<p>Luxembourg has a multi-party system. No one party has a chance of gaining power alone, and parties work with each other to form coalition governments. The main opposition force includes the Democratic Party (DP), the Socialist Workers' Party (LSAP) and the Greens coalition to challenge the CSV party. The major political parties in the country are:</p> <ul style="list-style-type: none"> - Christian Social Party (PCS/CSV): centre-right, a Christian democratic conservative party with pro-Euro ideology, maintains one-third of parliamentary seats, dominant party for nearly a century - Socialist Workers' Party (POSL/LSAP): centre-left, progressive - Democrat Party (PD/DP): centre-right, follows liberal political ideology - Greens (DEI GRÉNG): centre-left - Alternative Democratic Reform Party (ADR): centre-right, a conservative nationalist party with anti-Euro ideology - The Left (DÉI LÉNK): centre-left
Current Political Leaders	Grand Duke: HENRI (since 7 October 2000) - hereditary Prime Minister: Xavier BETTEL (since 4 December 2013)
Next Election Dates	Chamber of Deputies: October 2023

Indicator of Freedom of the Press

World Rank: 17/180
Evolution: Same place as 2016

Source: [2019 World Press Freedom Index, Reporters Without Borders](#)

Indicator of Political Freedom

Ranking: Free
Political Freedom: 1/7

[Political freedom in the world \(interactive map\)](#)

Source: [Freedom in the World 2019, Freedom House](#)

Latest Update: December 2019

Buying and Selling

MARKET ACCESS PROCEDURES

International Conventions	Party of the International Coffee Agreement 2007
Main International Economic Cooperation	Member of the European Union, WTO, OCDE
Non Tariff Barriers	In accordance with its European Union membership, Luxembourg applies the European Union (EU) rules that are in force in all European Union countries. While the EU has a rather liberal foreign trade policy, there is a certain number of restrictions, especially on farm products, following the implementation of the CAP (Common Agricultural Policy): the application of compensations on import and export of farm products, aimed at favoring the development of agriculture within the EU, implies a certain number of control and regulation systems for the goods entering the EU territory. Moreover, for sanitary reasons, regarding Genetically Modified Organisms (after being allowed in the European territory), their presence should be systematically specified on packaging. Beef cattle bred on hormones is also forbidden to import. The BSE crisis (often called the "mad cow disease") urged the European Authorities to strengthen the phytosanitary measures to make sure of the quality of meats entering and circulating in the EU territory. The principle of precaution is now widespread : in case of doubt, the import is prohibited until proof is made of the non-harmfulness of products. See the conditions of importing fresh meat .
Customs Duties and Taxes on Imports	Customs duty for non-EU member countries is usually rather low (around 4.2% on average). There are however three sectors and product categories which are subjected to a special higher tariffication, such as the clothing sector, fabrics and agro alimentary products (around 17.3%).
Customs Classification	Customs duty tariffs are calculated Ad Valorem based on their CIF value, in compliance with the Common Customs Tariff (CCT). In order to get exhaustive regulations and customs tariffs rates regarding their products, exporters shall refer to the TARIC code and its database , which includes all applicable customs duties and customs trade policy measures for all the goods.
Import Procedures	<p>As part of the "SAFE" standards set forth by the World Customs Organization (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustom, has been in effect since January 1, 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.</p> <p>The official model for written declarations to customs is the Single Administrative Document (SAD). The SAD describes goods and their movement around the world and is essential for trade outside the EU, or of non-EU goods. Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed.</p> <p>Since July 1, 2009, all companies established outside of the EU are required to have an EORI number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration.</p>

The TARIC (Tarif Intégré de la Communauté), is available to help determine if a license is required for a particular product. Moreover, the European Commission maintains an export helpdesk with information on import restrictions of various products.

To get further information on customs policies in the European Union, please visit the [European Commission](#) page on Customs Union.

The website of Luxembourg Customs Administration provides more detailed information on import process and requirements.

For Further Information [Customs duty and Excise Tax Administration](#)

Learn more about [Traders, Agents in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

REACHING THE CONSUMERS

Marketing opportunities

Consumer Profile	<p>With a GDP per capita of USD 102,831 (World Bank), Luxembourgers are one of the wealthiest consumers in the world. Nonetheless, the growth in economic activity has slowed down in recent years and the gap between Luxembourgian and European consumers has narrowed. The former remains by far the biggest spender in the EU, however consumption increases at a slower rate than in the rest of the Union: The Luxembourgian spent on average 32% more than their European counterpart in 2017 as opposed to 40% more in 2014 (Eurostat).</p> <p>The Luxembourgian population is more dynamic than the EU average as many European citizens immigrate to the country to enjoy high living standards and income levels. The median age is 39.3 years (EU average 42.9 years) and the population growth rate rose to 1.98% in 2017 (EU average 0.23%).</p>
Consumer Behaviour	<p>Luxembourgian consumer attaches great importance to product quality, which is a determining factor for purchase, ahead of seller's quality of service and price. They also value brand's reputation and the ergonomic design of durable consumer products. Nonetheless, they are sensitive to promotional offers when it comes to products of daily consumption.</p> <p>Consumer confidence index, which is traditionally high, has been on the decline since early 2018 as households' expectations about the general economic situation in Luxembourg have deteriorated.</p> <p>Luxembourgian consumer has shown less interest in e-commerce than their neighbours as the share of online shopping in enterprises' turnover stood at 14% in 2017, as opposed to 31% in Belgium, 24% in Germany and 19% in France (Eurostat). Nevertheless, the government council of Luxembourg has decided to launch a nationwide online shopping platform to encourage local wholesalers that do not engage in any e-commerce activity to go online.</p>
Consumers Associations	<p>The Luxembourg Consumers Union (ULC) European Consumer Center of Luxembourg</p>
Main Advertising Agencies	<p>Mikado Publicis H2A</p>

A3Com
 IP Luxembourg
 Fish and Chips

DISTRIBUTING A PRODUCT

Evolution of the Sector Luxembourg City is Benelux’s fourth most attractive location for international and national retailers. The city benefits from a broad consumer base and strong retailer demand. Luxembourg City has a central location in the country and is relatively dense: the city contains approximately 20% of the country’s inhabitants on 2% of its territory. More than two-thirds of the city’s inhabitants are foreign, mainly originating from other countries of the European Union. This is a consequence of the presence of a number of European institutions, including the Court of Justice of the European Union, the European Court of Auditors, the European Investment bank and several departments of the European Commission and the secretariat of the European Parliament. Luxembourg has, by far, the highest gross domestic product per capita (in purchasing power standards) in the European Union, as well as the highest actual individual consumption. Luxembourg’s high spending power makes it attractive for luxury and premium retailers.

The main shopping zone in the city centre is along Grand- Rue and its adjoining streets, including Avenue de la Porte- Neuve, Rue des Capucins and Place d’Armes. A large variety of mainstream and premium brands are located in the area, with drivers such as H&M, Zara, Massimo Dutti, Jack & Jones and Tommy Hilfiger. The city centre also houses a luxury cluster on Rue Philippe II, where haute couture houses such as Cartier, Chanel and newcomer Dior are located, and which will extend in the future towards the soon-to-open Royal-Hamilius shopping centre. The prime retail zone of the city is located within walking distance of the old city centre and close to office areas. This prime catchment area of the country, and the wider region, includes a small luxury cluster that may extend in the future towards the Royal-Hamilius project. This is part of the international expansion programme of the Hudson’s Bay Company, a Canadian retail business group that recently acquired Galeria Inno. Another prime retail zone near the central train station boasts high footfall and is where many international mainstream brands can be found. The central commercial zone will experience a wave of expansion beginning in the second half of 2018 with the opening of two large shopping centres, the first of which will be located within the Royal-Hamilius development. The second notable retail development set to open at the second quarter of 2019 is the Cloche d’Or shopping centre (75,000 sq m) in the city’s south, which will offer 120 retail units together with an Auchan hypermarket.

Four companies are currently controlling the large-scale distribution market: Cactus, a Luxembourger company, the Louis Delhaise group, the second largest actor, the Monopol group and the Auchan group. This sector profits from the high consumer spending of households, which is among the highest in the world (per capita consumer spending is for example 70% higher than that of their Belgian and Dutch neighbors).

Market share The importance of general trade (retail, wholesale, among others) has been on the decline as it only accounted for 8.6% of the total value-added economy of the country in 2015, as opposed to 12.2% in 1985. The mass retail in Luxembourg is dominated by 4 major groups:

- the Luxembourgish Cactus is the leader in the distribution sector in Luxembourg and owns the following brands: Cactus Supermarché, Cactus Marché, Cactus Shoppi and Cactus Hobbi
- the Louis Delhaize Group, which is the 2nd largest player in the country’s mass retail.

It includes brands such as Cora, Match and Smatch.
 - the Auchan group, with 1 hypermarket and four drive-through supermarkets.
 - German discount supermarket chains Aldi and Lidl

These groups share a market of 582,000 inhabitants.

Retail Sector
 Organisations

[The Union of Luxembourg companies \(employers' trade union\)](#)
[The Luxembourg Commerce Confederation](#)
[Luxembourg Chamber of Commerce](#)
[Luxembourg Ministry of Economy](#)

E-COMMERCE

Internet access

Luxembourg has one of the highest internet penetration rates in the world, at 95.2% (also thanks to the small population of around 576,000 people). The Grand Duchy is above the average of the developed countries in terms of access to smartphones (91% compared to 80% of developed countries, Deloitte). Luxembourg ranks 5th out of the 28 EU Member States in the [Digital Economy and Society Index \(DESI\) 2018](#) published by the European Commission. According to the latest data available, in 2016 93% of individuals in Luxembourg accessed the internet daily, 97% weekly, and 1% less than once a week (Statista). The most popular web search engines in Luxembourg are Google (93.9%), Bing (3.5%) and Yahoo (0.9%), followed by DuckDuckGo and Yandex RU with lower shares.

E-commerce market

According to the latest data available, e-commerce sales in Luxembourg reached EUR 600 million in 2015 (E-Commerce Europe). Eurostat data shows that in 2017 the share of enterprises' turnover on e-commerce in Luxembourg was at 14% (below the EU average, at 18%), while figures from the government show that only 9% of Luxembourg businesses currently have an e-commerce website. The number of individuals having ordered/bought goods or services for private use over the internet in the previous three months in Luxembourg was 69%, higher than the 48% EU average (Eurostat). In total, 79% of all online purchases from Luxembourg were cross-border operations in 2017, a rate which is easily explained by the small dimensions of the Grand Duchy (E-Commerce Europe). In November 2017 the Ministry of Economy launched the platform LetzShop.lu, where local shops can showcase their products online and sell them directly via the internet. Individuals in Luxembourg who carry out online transactions often use online banking (79% in 2017, against a EU average of 61%) and 82 % shop online (EU average at 68%, DESI 2018). People in Luxembourg participate in social networks more than the EU average (70% compared with 65% on average in the EU), though no reliable figures in terms of social media users are available.

ORGANIZING GOODS TRANSPORT

Main Useful Means of
 Transport

Luxembourg has an excellent road infrastructure. Air transportation is also facilitated by the presence of a specialized airline company, Cargolux, one of the greatest exclusively cargo companies in Europe. Finally, merchandise transportation by rail is in full development. In 2007, the first long distance plain rail highway began to operate, connecting Perpignan (France) and Luxembourg. Conceived as an alternative to road transport, it allows road transporters to transport by train, without neither tractors nor drivers, overnight 40 tractor trailers, which equals cca 30,000 tractor trailers per year.

Ports

[Port of Merttert](#)

Airports

[Aviation Administration](#)
[The Luxembourg Airport](#)

Sea Transport Organisations	Ministry of Transport Navigation Service
Air Transport Organisations	Direction of Civil Aviation (DAC) of the Ministry of Transport
Road Transport Organisations	Ministry of Transport: Direction of Road Transports
Rail Transport Organisations	Ministry of Transport, Direction of railways Ministry for the Middle Classes, Tourism and Housing The CFL rail company

IDENTIFYING A SUPPLIER

Type of Production	The plastic/rubber branch represents 13% of the industrial production's added value (fabrication of Good Year Tires). Chemical industry has increased its part in the sector's total production (7%) since the arrival of the TDK Recording Media Europe S.A. company. The steel industry still represents a large share, thanks to the presence of the world giant, Arcelor-Mittal. Finally, Luxembourg also produces numerous non-metal mineral products (glass industry, porcelain production and cement production, concrete and concrete parts production...) which represent around 8% of the industrial production's added value.
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Business Directories

Multi-sector Directories	Fedil Members' Directory - This directory of the companies affiliated to FEDIL (Business Federation Luxembourg) is an index of the national industry as well as one of the measures to promote Luxembourg products in and outside of the Grand Duchy. All the information about the companies are permanently updated.
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Trade Agencies and Their Representations Abroad	Luxembourg Chamber of Commerce
Enterprises Federation	European Association of Craft, Small and Middle-sized Enterprises The Union of Luxembourg Enterprises The Luxembourg Trade Confederation (CLC)

Learn more about [Service Providers in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Learn more about [Sales in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Operating a Business

SETTING UP A COMPANY

Private Limited Company (S.A.R.L.)	Number of partners: Minimum 1 partners; Maximum 40 partners. NB: 1 member for a sole proprietorship. Capital (max/min): EUA 12,394.68, totally subscribed. Shareholders and liability: Liability is limited to the amount contributed.
Public Limited Company (S.A.)	Number of partners: From a natural or legal person, without restriction on the number of partners. Capital (max/min): EUR 31,000 with 1/4 released at the creation. Shareholders and liability: Liability is limited to the amount contributed.
General Partnership (SENC)	Number of partners: One or more partners, no upper limit. Capital (max/min): No minimum capital. Shareholders and liability: Partners' liability is joint and unlimited on obligations and debts of the company.
Limited Partnership (SECS)	Number of partners: Minimum 2 with no limitation on the number of partners. Two types of partners: active partners and sleeping partners. Capital (max/min): No minimum capital. Shareholders and liability: Active partners' liability is joint and several. Liability of sleeping partners is limited to the amount contributed.
Cooperative Company	Number of partners: Minimum 7 partners. Capital (max/min): No minimum capital. Shareholders and liability: Partners' liability is joint and several or divided, unlimited or limited to amount contributed depending on the status.
The Competent Organisation	The Trade and Companies Registry .
Find a Company or a Financial Report	Trade Registry

Setting Up a Company	Luxembourg
Procedures (number)	5.0
Time (days)	16.5

Source: *Doing Business*.

Business Setup Procedures	Consult Doing Business Website , to know about procedures to start a Business in Luxembourg. Trade Register , in French.
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WORKING CONDITIONS

Legal Weekly Duration	The Law allows for a duration of 40 hours per week and 8 hours per day. The daily working time may not exceed 10 hours.
Retirement Age	65
Working Contracts	Employment contracts are regulated by law. Collective agreements and individual negotiations complement it. The terms of the employment contracts are very rigid.

A work contract is either signed for an indeterminate period (Contrat à Durée Indéterminée/ CDI), which it is most often the case, or for a fixed term (Contrat à Durée Déterminée/ CDD). The CDD cannot last more than 24 months, including renewals. It can only be renewed twice and only if the initial contract includes a renewal clause. The Law strictly defines the framework of using a fixed-term contract. It is contracted for the accomplishment of precise and temporary tasks in a company.

Labour Laws [Consult Doing Business Website](#), to obtain a summary of the labor regulations that apply to local enterprises.

COST OF LABOUR

Minimum Wage The minimum wage in Luxembourg is EUR 1 999 per month in 2018 according to Eurostat.

Average Wage In 2016, the gross average wage was EUR 3 521 per month according to the ILO (lastest available data).

Social Contributions Social Security Contributions Paid By Employers: Depending on the risk class, between 12.67% and 15.08% of wages.
Social Security Contributions Paid By Employees: 12.45 % of the monthly gross wage.

SOCIAL PARTNERS

Social Dialogue and Involvement of Social Partners Luxembourg enjoys a rather calm social climate. The majority of industrial workers are associated with the dominant political party. Trade unions are active in several fields but they mainly defend union interests in collective negotiations during meetings with the employer, public and social authorities. They also provide free judicial aid.

Unions [LCGB](#)
[OGBL \(in French\)](#)

Unionisation Rate Around 50% in 2007.

Labour Regulation [Ministry of Labor](#)
Bodies [Federation des Industriels Luxembourgeois \(FEDIL\)](#)

Learn more about [Operating a Business in Luxembourg](#) on Globaltrade.net, the Directory for [International Trade Service Providers](#).

Latest Update: December 2019

Investing

FDI IN FIGURES

Luxembourg offers a business climate favourable to foreign investment. Despite the remaining uncertainties regarding the global economy, Luxembourg remained the leading EU investor in countries outside the EU. Nearly three-quarters of FDI received by Luxembourg comes from the countries of the European Union. In terms of distribution, most of the investment is directed to the areas of banking and insurance. Luxembourg experienced a record year for FDI in 2016, when FDI inward flows reached USD 31.8 billion. However, since 2017, FDI inflows have been decreasing in the country, falling to USD -5.6 billion in 2018, the lowest in ten years. In the same year, the total stock of FDI stood at USD 164 billion ([UNCTAD 2019 World Investment Report](#)).

According to the World Economic Forum (WEF) 2017, the country ranks 20th on the [Global Competitiveness Index](#). The Government of Luxembourg has established some measures in order to make the country even more attractive to FDI such as; fiscal benefits, equipment and construction projects. The government focused on key innovative industries such as logistics; ICT; health technologies, including biotechnology and biomedical research; clean energy technologies; space technology and financial services technologies. However, the voted by the Luxembourg parliament in December 2016 could affect the attractiveness and profitability of the country's financial sector. It is related to the process of harmonisation of financial standards both within the EU and at international level. The country ranks 66th out of 190 economies in the World Bank [2019 Doing Business](#) report (losing three positions compared to the previous year).

Country Comparison For the Protection of Investors

Foreign Direct Investment	2016	2017	2018
FDI Inward Flow <i>(million USD)</i>	31,878	-6,799	-5,615
FDI Stock <i>(million USD)</i>	202,174	188,790	164,806
Number of Greenfield Investments***	25	50	30
FDI Inwards <i>(in % of GFCF****)</i>	237.6	n/a	n/a
FDI Stock <i>(in % of GDP)</i>	412.7	n/a	n/a

Source: UNCTAD - Latest available data.

Note: * The UNCTAD Inward FDI Performance Index is Based on a Ratio of the Country's Share in Global FDI Inflows and its Share in Global GDP. ** The UNCTAD Inward FDI Potential Index is Based on 12 Economic and Structural Variables Such as GDP, Foreign Trade, FDI, Infrastructures, Energy Use, R&D, Education, Country Risk. *** Green Field Investments Are a Form of Foreign Direct Investment Where a Parent Company Starts a New Venture in a Foreign Country By Constructing New Operational Facilities From the Ground Up. **** Gross Fixed Capital Formation (GFCF) Measures the Value of Additions to Fixed Assets Purchased By Business, Government and Households Less Disposals of Fixed Assets Sold Off or Scrapped.

WHAT TO CONSIDER IF YOU INVEST IN LUXEMBOURG

Strong Points

Luxembourg has many attractive assets for investors on its soil. Here are the main ones:

One of the most open economies in the world, with few foreign exchange controls and foreign capital flowing freely, allowing the country to have an undisputed pro-business environment

The country is a global finance hub with a strong and broad banking sector (155

banks listed in 2016) and a thriving investment fund industry.
 A very attractive tax system that provides the country with solid and consistent income
 One of the lowest public debts in the European Union
 Highly developed transport infrastructure connecting the country to major cities and foreign capitals (motorways, air and trains)
 A highly skilled multilingual workforce with significant purchasing power.

Weak Points

The main obstacles to investment in Luxembourg are:

A weakly diversified economy and extremely dependent on its banking and financial sector
 An employment market dependent on "frontier" workers, resulting from a small and aging Luxembourg working population
 The long-term budgetary impact of the ageing of the population and the necessary reforms of the country's pension system

Government Measures to Motivate or Restrict FDI

The Luxembourg government has taken measures to encourage the establishment of businesses on its soil:

Subsidies granted to SMEs (retail, restaurant or hotel) through the [National Society for Investment Credit \(SNCI\)](#)
 Community income tax and business tax exemption of 25% for eight years for start-up businesses
 Commercial licenses granted faster and more transparently
 Measures were put in place in 2017 to protect minority investors in order to facilitate their ability to resolve commercial damages in court and to facilitate access to the key information about the companies in which they invest

PROCEDURES RELATIVE TO FOREIGN INVESTMENT

Freedom of Establishment	Yes
Acquisition of Holdings	A majority holding interest in the capital of a local company is legal in Luxembourg.
Obligation to Declare	<p>Whatever may be the form of investments chosen (momentary commercial association, Economic Interest Grouping - EIG, an independent agent's activity or a branch), access to an economic profit-making activity on the Luxembourg territory is subject to:</p> <p>1) the same formalities (registration/enrollment at the Companies' Trade Register, application for a VTA number, initial declaration at the Direct Taxes Administration, etc.)</p> <p>2) the same obligations (obtaining an establishment authorization for commercial activities, crafts, industrial activities and liberal professions) as in the case of a creation of an enterprise in Luxembourg.</p>
Competent Organisation For the Declaration	<p>Companies' and Trade Register Direct Taxes Administration</p>

Find out more about [Investment Service Providers in Luxembourg](#) on GlobalTrade.net, the Directory for International Trade Service Providers.

INVESTMENT OPPORTUNITIES

Investment Aid Agency [Luxembourg Trade & Invest](#)
[Economic Development Agency \(IDELUX\)](#)

Tenders, Projects and Public Procurement [Tenders Info](#), Tenders in Luxembourg
[Globaltenders](#), Tenders & Projects from Luxembourg
[Ted - Tenders Electronic daily](#), Business opportunities in EU 27
[DgMarket](#), Tenders Worldwide

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