

LUXEMBOURG

Luxembourg - Civil Law (Napoleonic)

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Incorporating a company in Luxembourg

Luxembourg taxes

If you want to incorporate in Luxembourg, this article will educate you on the tax laws for a LLC, which is the most common legal entity in Luxembourg.

Luxembourg companies are liable to tax on their worldwide income. The predominant standard rate for income earned abroad, from our research, and your results may vary, is 27.08%. Luxembourg may have certain exemptions and other available benefits to transfer in income accrued abroad. Corporate income tax standard rate is 19% (from 2018 will be 18%), plus solidarity surtax and municipal business income tax, resulting in an effective tax rate of 27.08%. This ranks Luxembourg as 127th overall in terms of corp. taxation rate internationally.

The valued added tax rate in Luxembourg is 17.00%, which ranks Luxembourg as 109th when compared to VAT globally. In terms of other taxation, an employer will contribute 15% to the equivalent of a social security fund and an employee will contribute 11.50%. The overall complexity of the tax system is low. This is measured by average time to comply with a country's labor tax requirements is as it is 14hours. Contributing to this is the number of yearly labor tax payments, which is 12 in LU.

Thin cap restrictions are not officially enacted. This refers to any sort of laws on given company with respect to debt-to-asset ratios.

Dividends received by a domestic company are included on income tax base. Dividends received may be tax exempted, if the recipient holds at least 10% of shares of the subsidiary or its acquisition price is at least €1.2m, and has held or commits to hold the participation for an uninterrupted period of 12 months. Dividends are distributions of a company profit, decided by the board of directors, to shareholders. Dividends can be one of the following stock, cash, or property.

Capital Gains are usually included in income tax base. However, gains derived from the disposal of shares may be tax exempt, if shareholder owns at least 10% of the participation or its acquisition price was €6m, and has held the shares for at least 12 months. A capital gains tax is levied on the profits that a corporation or natural person realizes when he or she sells a capital asset for a price that is higher than the purchase price.

The dividends withholding tax rate is 15%. This should be interpreted that usually the tax authorities expects companies to pay tax at 15% of dividends paid to non-residents, unless dividends qualify for a participation exemption or rates are reduced under a tax treaty. There are no withholding taxes levied on interests or royalties paid to non-residents. However, profit-sharing bonds and debt instruments linked to the issuer's profits are taxed as dividends at a withholding tax rate of 15%.

There is a corporate net worth tax in Luxembourg. There are inheritance, transfer and real property taxes in Luxembourg. There are widely used research and development tax relief in this country.

The above is not tax or legal advice for your particular facts and circumstances. We are able to refer you to an accountant in Luxembourg who can get you an answer. Click incorporate now if you are in a hurry or press the free consultation button above.

The vat rate in Luxembourg is 17% which ranks 109 in the world.

- ✓ **Patent box**
- ✓ **RND credit**
- ✗ **Wealth tax**
- ✓ **Estate tax**
- ✓ **Transfer taxes**
- ✓ **Asset taxes**

- 80 Tax treaties**
- 27.08% Offshore Tax**
- 27.08% Corp rate**
- Loss carryback years**
- 19 Corporate time**
- 17% VAT rate**

Luxembourg Legalese

For starters, the law in Luxembourg is civil law (napoleonic) law. You will want to get some local advice as to how to best structure a company in Luxembourg. E-signatures are allowed.

The abbreviation LU is for Luxembourg and the most common company structure in Luxembourg is a LLC.

The average time to incorporate is 19 days to incorporate a LLC in LU. The types of consideration you can use to fund your legal entity is often LUF, EUR, and any legal currency.

Yes, one is allowed to re-domicile a LLC from LU. You are usually allowed to change the jurisdiction of the company, pending certain procedures.

There must be at least 1 shareholder. This makes it possible for you to own a LLC in LU by yourself. Corporate Shareholders are encouraged, which means you can have a corporate shareholder. Foreign ownership is encouraged, up to 100% of the total equity of the company.

A legal entity is only required to have one director. Furthermore, corporate directors are permitted. Directors should not have an expectation of privacy, as they are not kept private in Luxembourg. There is not a requirement to have annual meetings.

A registered legal firm must be retained for an address, paid by the company on an annual basis, for a legal services company which can receive litigation or other legal process on behalf of the business. Furthermore, a corporate secretary is required by law.

There is an obligation to file yearly tax returns. On that note, there is oftentimes a requirement to have these accounts audited.

Overall we think Luxembourg is a good option and have given it a score of 88 as an IO score, using the Incorporations.IO proprietary formula.

- ✗ **Directors not disclosed in a public registry**
- ✗ **Shareholders not disclosed in a public registry**
- ✓ **Redomiciliation permitted**
- ✓ **Registered office required**
- ✓ **Corporate director permitted**
- ✓ **Local Secretary not required**
- ✓ **Local Director not required**
- ✓ **Electronic signature**

- 1 Shareholders required**
- 1 Directors required**
- 19 days to form**



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Country Info



🏴󠁧󠁢󠁥󠁮󠁧󠁿 National Flag of

**Großherzogtum
Luxemburg (deu)**

**Grand-Duché de
Luxembourg (fra)**

**Groussherzogtum
Lëtzebuerg (ltz)**

\$ Currency

EUR

📞 Area Code

+352

🏰 Capital

Luxembourg

📍 Region

Western Europe

🗣️ Native Languages

German

French

Luxembourgish