



cutting through complexity

Corporate Headquarters in Luxembourg

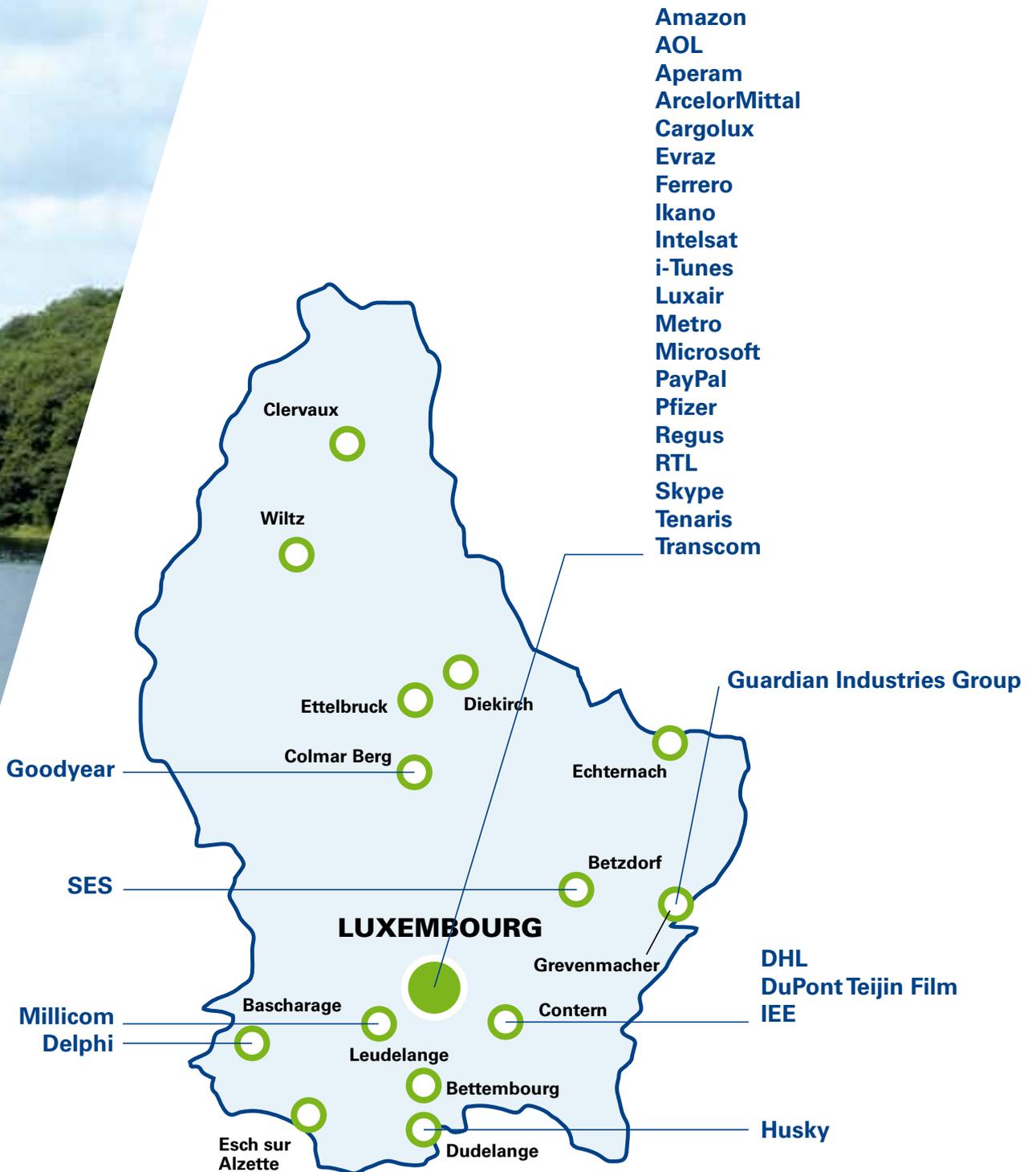
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Why Luxembourg?

Situated at the heart of Europe, the Grand Duchy of Luxembourg is the ideal gateway to the European market. Thanks to its longstanding financial, social and political stability, its highly skilled multi-lingual workforce, its first-class infrastructure, its business-friendly legal and regulatory framework, and attractive tax environment, Luxembourg manages to combine a unique series of assets and opportunities for doing business in Europe.





General overview

Optimization of your corporate structure and global effectiveness

Strategic planning

Luxembourg has gained an international recognition regarding the implementation of companies' strategic aims, which can be based on tax, legal and financial tools. In an ever fast-moving environment of e-commerce, telecommunications and finance, Luxembourg offers optimal conditions to host a company's strategic planning function.

Mergers and acquisitions (M&A)

Luxembourg can provide many specialists in M&A transactions, which enables a company to base M&A expertise at the level of the Luxembourg HQ. Top providers can draw on the dedicated resources across their worldwide networks to assist at every stage and on all aspects of a transaction, whether it is an M&A growth strategy, a complex transaction, a diverse portfolio or intra-group holding structure. The new European Company structure allows greater flexibility to implement cross-border mergers, acquisitions and divestments.

Company management

The management and supervision of diverse subsidiaries, the procurement, marketing and sales functions for various markets, and IT management and R&D functions can be implemented from a single location in a coordinated way, and centralized to achieve economies of scale. Over the last two decades, many EU and non EU-based companies have set up corporate headquarters in Luxembourg, of which some not only embrace financial holding functions and treasury centres but also support tasks and general company/group management functions.

International tax and legal firms

International tax and legal firms as well as experts focused on European and national law are well established in Luxembourg, enabling headquarters based there to benefit from their skills from a finance and business law standpoint.

Visa formalities

| | | | |
|---|--|---------------------|---|
| Entry and residence requirements | Citizens of European Union member states, the European Economic Area and Switzerland may enter Luxembourg simply by presenting a national identity card or a valid passport. Citizens of other countries must declare themselves at the local town hall within three days of their arrival. Every foreign national must request a foreigner's identity card. | Work permits | Work permits are not required for citizens of the European Union, European Economic Area and Switzerland. For citizens of other countries, a work permit is issued by the Ministry of Employment. |
|---|--|---------------------|---|

A full financial service sector at the heart of Europe

Corporate finance

Luxembourg legislation provides for a broad range of instruments and special purpose vehicles, most of them enjoying favorable administrative and tax treatments. These allow many finance and treasury functions of an international company to be efficiently structured.

- Luxembourg company (SOPARFI): management of group of companies;
- The Family Wealth Management Company (SPF): management of private wealth on behalf of individuals;
- The Luxembourg Investment Company in Risk Capital (SICAR): tailor-made vehicle for private equity and venture capital investment;
- Securitization: regulated or unregulated securitization companies and securitization funds;
- The Specialized Investment Fund (SIF): ideal framework for a dedicated corporate investment fund;
- Reinsurance: Luxembourg is the largest domicile for reinsurance captives in the EU and one of the largest in the world;
- Pension plans (SEPCAV/ASSEP): economic, tax and political stability combined with an appropriate regulatory framework make Luxembourg an attractive European pension centre.

Dedicated infrastructure and strong public support

Research and Development (R&D) and Innovation

Luxembourg's government is committed to providing a framework that is conducive to creation and innovation. Innovative companies are encouraged to develop their R&D activities by receiving up to 50% of the costs of industrial research projects and up to 25% for a pre-competitive development project. The National Agency for the Promotion of Innovation and Research, Luxinnovation, is the first-stop shop for information and guidance on innovation and R&D in Luxembourg including national and European funding programmes. The Agency and KPMG Luxembourg can help you identify abilities and requirements, to find the right instruments and contacts for financial and technological support and to plan the various steps required to implement your projects.

Logistics activities

Luxembourg's international airport is the 5th largest freight airport in Europe and is home to Cargolux International Airlines, Europe's leading all-freight airline. LuxairCargo offers secure, efficient and speedy ground handling. World-class logistics players (acting in different sectors such as airfreight, railroad, waterways and roads) have already chosen Luxembourg as an operating base for added value logistics activities. Also, the rapid train (TGV) facilitates connection with other cities.

ICT (Information and Communication Technologies) functions

- **Outstanding connectivity**

Luxembourg offers a wide range of IT services, meeting most of high level needs of companies (banks, fund administration, e-commerce, etc.); especially with Luxconnect, which is an international fibre network and internet-related data and access centre, focused on strengthening and facilitating the international connectivity of Luxembourg through a performing data and communications centre.

- **E-commerce**

Luxembourg is a pioneer in communication technologies thanks to some major players. The country is becoming a strategic place for developing e-commerce opportunities, especially for e-services, telecommunications services and TV and radio broadcasting.

Advantages for companies in Luxembourg for ICT include shorter routing resulting in optimised Internet flow, congestion-free circuits, increased data throughput, and ample power and space availability (IDC, 2010).

- **First-class data centers**

Luxembourg can be proud to have one of the best data center parks in Europe. A network of operators with leading-edge infrastructure and technology offers a full range of data processing services at high quality level. Luxembourg was officially declared the second most developed ICT nation by the International Telecommunication Union (2010).



Attractive and stable tax framework

The legal and tax environment is one of the most significant reasons why Luxembourg is so attractive to businesses wishing to establish headquarter operations. Besides the lowest level of VAT in the EU, Luxembourg's effective corporate income tax is among the most favorable in Europe.

Although the combined corporate and municipal business tax rate is 28.80%, Luxembourg is considered a very attractive tax location for doing business, for the following reasons:

Mitigation of taxation on foreign-source income and protection of investments

64 double tax treaties are currently in force (see Appendix 1). Luxembourg is rapidly expanding its double tax treaty network. As from 1 January 2011, 7 new double tax treaties entered into force with Armenia, Bahrain, Barbados, Liechtenstein, Monaco, Panama and Qatar, and 18 are still pending with, for example, Argentina, Kuwait, Lebanon, Ukraine, Saudi Arabia and Uruguay.

These treaties enable companies to avoid being taxed both in their country of residence and in the source country of the income, and allow tax efficient structuring for holding and financing.

Luxembourg also has more than 90 investment protection treaties. This is especially important, as investors wish to have economic and legal protection when investing in any foreign country. The volatility of the economic policy of individual countries (and risks of nationalization) is tempered by this type of agreement, that protect investors from expropriation (or nationalisation) at an unfair price.

In a word, clarifications brought by these two types of treaties bring much confidence to international groups.

The list of applicable double tax and investment protection treaties can be found in the appendices.



Low impact of withholding taxes

In Luxembourg, only few payments are subject to withholding tax. Indeed, there is no withholding tax on the payment of interest (except in specific cases such as interest on profit participating bonds), no withholding tax on royalties in relation to patents, trademarks and know-how, and there is no withholding tax on liquidation proceeds. Although dividends are in principle subject to a withholding tax of 15%, this tax can be avoided under domestic tax treaties, or EU based rules.

Advantages of the Luxembourg participation exemption

The attractiveness of Luxembourg is also a result of a favourable tax regime for dividends, capital gains and liquidation proceeds, namely the participation exemption regime. This regime provides for an exemption from income, withholding and net wealth tax for qualifying participations. These rules were introduced in the Luxembourg tax code in the 1940s and subsequent amendments to these rules have resulted in an improvement for corporate tax payers. This is legislation that is being applied to a third generation of tax payers, and that has always been amended favorably to adapt to business.



A tailor-made IP location (or Special exemption for income from Intellectual Property Rights)

Luxembourg offers a very favorable tax regime as regards IP activities, by exempting from Luxembourg income tax 80% of net royalties and capital gain derived from qualifying IP rights including, among others, patents, trademarks/service marks, design/models, internet domain names and software copyrights relating to standard software and by providing for a deemed income deduction as regard self developed patents

used by the tax payer himself. This results in an effective corporate tax rate of 5.76%, i.e., one of the lowest in Europe for this type of income. Furthermore, qualifying IP assets are exempt from net worth tax.

For IP structures where goodwill or know-how elements can be identified, other tax regimes may also apply, based on Luxembourg general tax rules and principles.

| Qualifying IP rights | Conditions | Qualifying IP income | Tax treatment |
|--|---|---|---|
| <ul style="list-style-type: none"> • Patents • Trademarks/service marks • Designs/models • Internet domain names • Software copyrights relating to standard software. | <ul style="list-style-type: none"> • The IP right must have been acquired or developed after 31 December 2007. • The IP right may not have been acquired from specified "directly" related companies. • Expenses, amortizations, and write-downs economically related to the IP must be activated. | <ul style="list-style-type: none"> • Royalty payments • Damages • Capital gains. <p>Importantly, the law provides for an 80% deemed income deduction for self-developed patents that are used by the taxpayer himself.</p> | <p>Corporate income tax/ municipal business tax:</p> <ul style="list-style-type: none"> • 80% tax exemption on qualifying net income • Effective tax rate: 5.76%. <p>Net wealth tax:</p> <ul style="list-style-type: none"> • 100% tax exemption on qualifying IP rights. |

Absence of capital duty and tax transfer

Capital duty was abolished in 2009 and had been replaced by a lump sum registration fee of EUR 75 which is due on incorporation, modifications of by-laws, or transfer of statutory seat or central management to Luxembourg.

Low VAT rates and no VAT pre-financing

Since VAT has been instituted in the EU, Luxembourg has always applied the lowest VAT rates in the EU. Therefore, domestic supplies are taxed less than in any other EU country. This advantage may also benefit supplies to non-Luxembourg customers (e.g., especially private ones).

Most countries in the EU require that importers pay VAT upon import of goods into the EU, prior to the sale of goods to the end consumer ("pre-financing of VAT"). Luxembourg is the only EU country that does not require VAT pre-financing. Therefore no cost is associated with the pre-financing of VAT on imports via Luxembourg into the EU.

On July 14, 2011, the Luxembourg Parliament passed a law introducing new VAT provisions for the setting up of VAT free zones. The aim is to introduce zones where transactions in relation with movable goods including ancillary services to transactions in goods (i.e. handling and works on the goods) can benefit from a temporary VAT exemption, thereby facilitating the development of Luxembourg as a prime logistics platform. Liability to and payment of VAT should occur when the goods leave the free zone to enter into free circulation.

Based on these provisions, the Luxembourg Government plans to setup a free zone in the area of the Luxembourg-Findel international airport, aimed at the storage of goods of value covered by the new VAT provisions.

Investment tax credits

Luxembourg offers investment tax credits to encourage companies to invest in their fixed assets. A global tax credit is granted on the average value of qualifying investments acquired during the five past years, 7% up to an average value of EUR 150,000 and an additional 3% above this amount. Besides, a tax credit for additional investments of 13% is granted for qualifying acquisitions made during the year. These rates are increased by 1% in case of investment in ecological equipment and projects. These investment tax credits reduce the corporate income tax of companies and may be carried forward for 10 years if unused.

Customized incentives

By offering companies a full range of customized incentives, Luxembourg stimulates them to realize investments or project development strategies in the country. These have been set up within the framework of national incentive schemes and EU funded programs managed at national levels.

They are available to both large corporations as well as small and medium sized companies (SMEs) legally established in Luxembourg. Different kinds of incentives exist, from cash grants to tax credits and guarantees.

There are six main laws covering different business incentives that may be applicable:

- Economic development and diversification: covering eligible capital expenditure by SMEs;
- Research & development activities and innovation;
- Regional development: covering eligible capital expenditure carried out in specific regions of the country;
- Small business: covering eligible capital expenditure in the small commercial or craft sector;
- Environment: covering capital expenditure for environment protection, energy efficiency and renewable energy production;
- Continuous vocational training: covering the development of professional skills.

Also the Société Nationale de Crédit et d'Investissement and Office du Ducroire, two specialized institutions, grant business incentives in the shape of loans and export financing. Other incentives are also applicable for investment in specific industries such as audiovisual production or venture capital.

Favorable tax regime for expatriates

In 2011, Luxembourg introduced specific tax provisions related to highly skilled workers relocating to Luxembourg. These provisions aim at exempting part of their remuneration in relation with their assignment in Luxembourg. Luxembourg offers tax relief that mitigates expenses related to relocation, such as house moving and housing costs, expenses related to the relocation back to the home country, some travel costs between the home country and Luxembourg, and school fees, as well as a lump sum to cover the cost of living adjustment.

Transfer Pricing Circular and compliance with international standards

In order to further comply with OECD and EU requirements, Luxembourg issued additional, though limited, transfer pricing guidelines at the beginning of 2011. Entities realizing intra-group financing transactions have to document their finance margin from a transfer pricing standpoint and evidence that sufficient capital is put at risk and remunerated to ensure assumption of risk in relation with their intra-group financing activities. Also, it will be required to have sufficient substance in Luxembourg to ensure that such entities have a real presence in Luxembourg (e.g., majority of local board members).

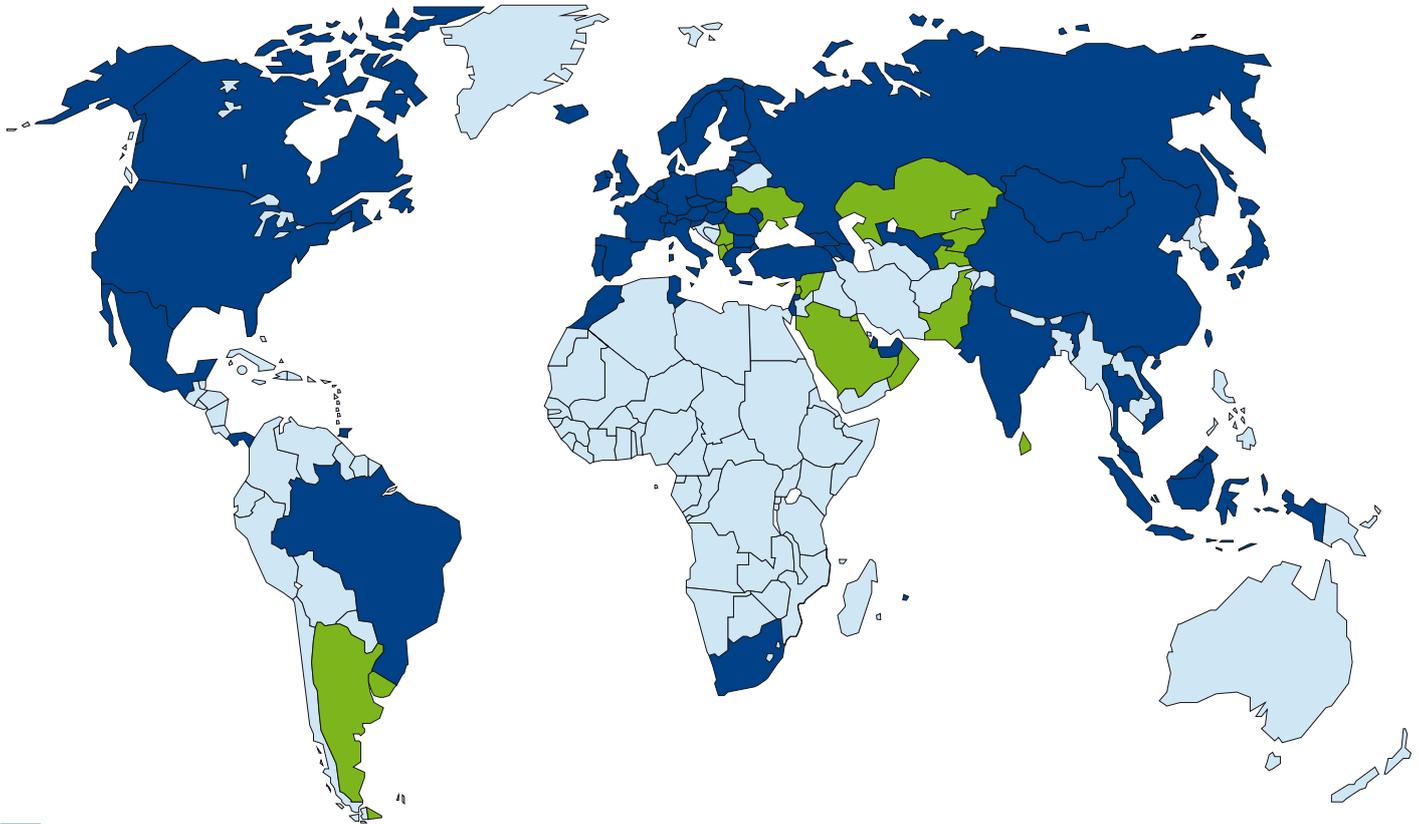
These recent guidelines represent a real opportunity for multinational groups to have clear rules in Luxembourg in order to assist in evidencing the arm's length character of their Luxembourg financing transactions and confirm with the local tax authorities an arm's length margin.

Islamic Finance

Luxembourg has become a domicile of choice for Islamic finance in Europe and has a history of innovation in this field. In 1983, Luxembourg was the chosen domicile of the first Shariah compliant insurance company in Europe. The Luxembourg Stock Exchange was also the first European stock exchange to enter the Sukuk market in 2002, and 16 Sukuk issues have since been listed and traded on the Luxembourg Stock Exchange. As of today, 38 regulated Shariah compliant investment funds and sub-funds have been established in Luxembourg, making it the largest Shariah compliant fund domicile in Europe.



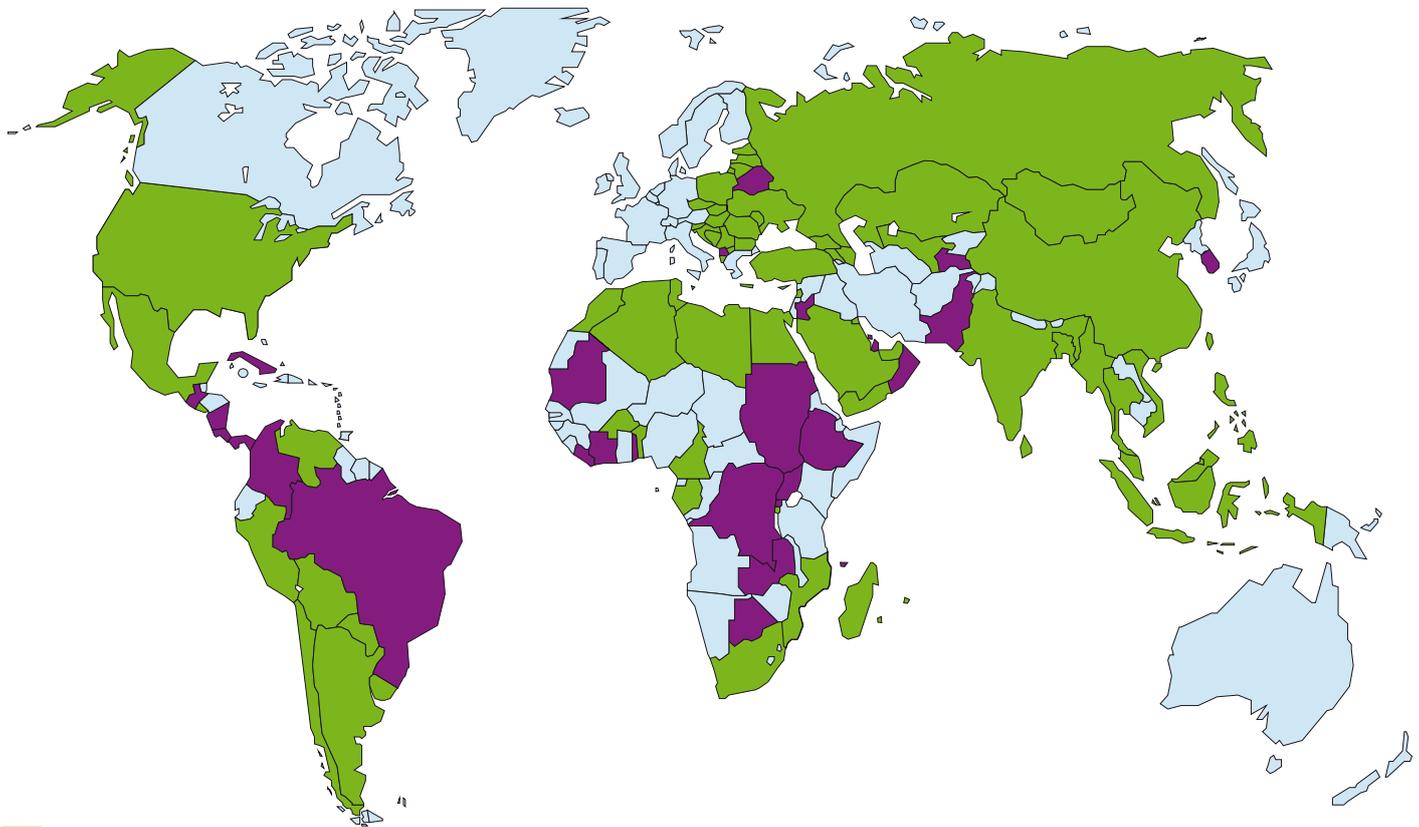
Luxembourg Tax Treaty Network



January 2012

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|--------------------|-------------------|-----------------|-----------------------|--------------------------|------------------------------------|
| 1. Armenia | 16. Georgia | 31. Malaysia | 46. Russia | 60. United Kingdom | 74. Pakistan |
| 2. Austria | 17. Germany | 32. Malta | 47. San Marino | 61. United Arab Emirates | 75. Saudi Arabia |
| 3. Azerbaijan | 18. Greece | 33. Mauritius | 48. Singapore | 62. USA | 76. Serbia & Montenegro |
| 4. Bahrain | 19. Hong Kong | 34. Mexico | 49. Slovakia | 63. Uzbekistan | 77. Seychelles |
| 5. Barbados | 20. Hungary | 35. Moldavia | 50. Slovenia | 64. Vietnam | 78. Sri Lanka |
| 6. Belgium | 21. Iceland | 36. Monaco | 51. South Africa | 65. Albania | 79. Syria |
| 7. Brazil | 22. India | 37. Mongolia | 52. South Korea | 66. Argentina | 80. Tajikistan |
| 8. Bulgaria | 23. Indonesia | 38. Morocco | 53. Spain | 67. Cyprus | 81. Ukraine |
| 9. Canada | 24. Ireland | 39. Netherlands | 54. Sweden | 68. Kazakhstan | 82. Uruguay |
| 10. China | 25. Israel | 40. Norway | 55. Switzerland | 69. Kirghizstan | |
| 11. Czech Republic | 26. Italy | 41. Panama | 56. Thailand | 70. Kuwait | |
| 12. Denmark | 27. Japan | 42. Poland | 57. Trinidad & Tobago | 71. Lebanon | |
| 13. Estonia | 28. Latvia | 43. Portugal | 58. Tunisia | 72. Macedonia | |
| 14. Finland | 29. Liechtenstein | 44. Qatar | 59. Turkey | 73. Oman | |
| 15. France | 30. Lithuania | 45. Romania | | | |

Investment Protection Treaties concluded by the Belgo-Luxembourg Economic Union (BLEU)



January 2012

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|-------------------------|--------------------|------------------|--------------------------|------------------------|-----------------------|
| 1. Albania | 18. Czech Republic | 35. Madagascar | 53. Slovakia | 68. Bahrain | 86. Pakistan |
| 2. Algeria | 19. Egypt | 36. Malaysia | 54. Slovenia | 69. Barbados | 87. Panama |
| 3. Argentina | 20. El Salvador | 37. Malta | 55. South Africa | 70. Belarus | 88. Rwanda |
| 4. Armenia | 21. Estonia | 38. Mauritius | 56. Sri Lanka | 71. Botswana | 89. Qatar |
| 5. Azerbaijan | 22. Gabon | 39. Mexico | 57. Thailand | 72. Brazil | 90. Sudan |
| 6. Bangladesh | 23. Georgia | 40. Moldova | 58. Tunisia | 73. Comoros | 91. Tajikistan |
| 7. Benin | 24. Hong Kong | 41. Mongolia | 59. Turkey | 74. Congo, DR | 92. Togo |
| 8. Bolivia | 25. Hungary | 42. Morocco | 60. Ukraine | 75. Costa Rica | 93. Uganda |
| 9. Bosnia & Herzegovina | 26. India | 43. Mozambique | 61. United Arab Emirates | 76. Cuba | 94. Zambia |
| 10. Bulgaria | 27. Indonesia | 44. Paraguay | 62. USA* | 77. Ethiopia | |
| 11. Burkina Faso | 28. Kazakhstan | 45. Peru | 63. Uruguay | 78. Guatemala | |
| 12. Burundi | 29. Kuwait | 46. Philippines | 64. Uzbekistan | 79. Ivory Coast | |
| 13. Cameroon | 30. Latvia | 47. Poland | 65. Venezuela | 80. Korea | |
| 14. Chile | 31. Lebanon | 48. Romania | 66. Vietnam | 81. Liberia | |
| 15. China | 32. Libya | 49. Russia | 67. Yemen | 82. Mauritania | |
| 16. Croatia | 33. Lithuania | 50. Saudi Arabia | | 83. Montenegro | |
| 17. Cyprus | 34. Macedonia | 51. Serbia | | 84. Nicaragua | |
| | | 52. Singapore | | 85. Oman | |

Source:
www.unctad.org
www.mae.lu

*Treaty of friendship, establishment and navigation, signed in 1962

Links

AMCHAM

www.amcham.lu

Association of the Luxembourg Fund Industry (ALFI)

www.alfi.lu

Luxembourg Chamber of Commerce

www.cc.lu

Direct Tax Authorities

www.impotsdirects.public.lu

FEDIL Luxembourg Business Federation

www.fedil.lu

Financial Sector Supervisory Commission (CSSF)

www.cssf.lu

Indirect Tax Authorities

www.aed.lu

Luxembourg for Business

www.luxembourgforbusiness.lu

Luxembourg for Finance

www.lff.lu

Luxembourg Legal Portal

www.legilux.public.lu

LuxInnovation

www.luxinnovation.lu

Ministry of the Economy and Foreign Trade

www.eco.public.lu

The Luxembourg Bankers' Association (ABBL)

www.abbl.lu

Contacts

Louis Thomas

Partner, Head of Corporate Headquarters

T: +352 22 51 51 5527

E: louis.thomas@kpmg.lu

Fabrice Leonardi

Partner, Audit

T: +352 22 51 51 6313

E: fabrice.leonardi@kpmg.lu

9, allée Scheffer

L-2520 Luxembourg

www.kpmg.lu

info@kpmg.lu

Gilles Poncin

Director, Advisory

T: +352 22 51 51 7230

E: gilles.poncin@kpmg.lu

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