



● CONQUER THE WORLD
FROM YOUR LUXEMBOURG HEADQUARTER



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of the Economy and Foreign Trade



Luxembourg, your gateway to the European market



Headquarters in Luxembourg

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BUSINESS CARD

Area : 2,586 sq km
Population : 500,000 inhabitants (43% foreign)
Languages : Lëtzebuergesch (mother tongue), French, German, English
Currency : Euro
Political System : Constitutional Monarchy | Parliamentary Democracy
Head of State : HRH Grand Duke Henri

EUROPEAN UNION CAPITAL

European Court of Justice | European Investment Bank | European Investment Fund | European Commission Services (Translation, Publications, Statistics) | European Court of Auditors | Secretariat of the European Parliament

FOUNDING MEMBER OF MAJOR INTERNATIONAL ORGANISATIONS

European Union | OECD | United Nations | WTO | NATO | Council of Europe | BENELUX

Why consider Luxembourg for your global or European headquarters?

Businesses are breaking through the boundaries of international borders and expanding beyond their initial geographic horizons at increasing speed. The key to future success for many firms will come from accessing international markets efficiently in an ever-developing economy.

This trend requires companies to overcome complex business procedures that create inefficiencies and increase the administrative burden. Businesses also have to grapple with a broad range of cultures, laws, rules and regulations across different countries.

Headquarters companies can help, by consolidating services and opening up opportunities for global tax optimisation.

Luxembourg may not seem an obvious location as either the European or global headquarters for some companies, but, as the late William R. Davidson, the Chairman and CEO of Guardian Industries Corp. expressed it after establishing his company's European headquarters in the Grand Duchy: "Luxembourg works!" Other global companies think so too, such as Amazon, Millicom, PayPal, Apple iTunes, Rakuten, Rovi, DuPont Teijin Films, Performance Fibers, Fanuc Robotics and Fanuc CNC and the worlds' largest bank, the Industrial and Commercial Bank of China (ICBC).

More and more companies are selecting Luxembourg for their global headquarters, such as the world's largest steelmaker ArcelorMittal, the broadcasting and communications giants SES, Intelsat and the RTL Group. Other notable firms with their global headquarters in Luxembourg include the Internet telephony provider Skype, automotive components maker Delphi (Powertrain Systems), and airfreight

operator Cargolux International Airlines.

Key decision criteria for locating an HQ

According to market analysis, the top three factors are:

- proximity to customers
- transport and accessibility
- quality and availability of labour.

Other criteria that can play a role includes taxation, stable business environment and the centrality of the location.

(source: Ernst & Young)

Easy access to European customers

Located in the heart of Europe, Luxembourg offers excellent connections to the 500 million consumers of the European Union. Flights from the new Luxembourg International Airport terminal, which is 15 minutes by taxi from the city centre, service 50 destinations throughout Europe. Paris can be reached in two hours by direct high speed TGV trains. Luxembourg also lies at the centre of a dense highway network that puts it around two hours driving time from Brussels and Frankfurt, or around three hours from Paris and the German Ruhr region. Amsterdam and Zurich are both around four hours away by car.

In Luxembourg, you live true European culture on a day to day basis. The country offers a great base for interacting and speaking with customers and understand their culture - Luxembourg nationals

speak Luxembourgish, German, French and English and 37%¹ of Luxembourg residents are nationals of another Member State of the European Union (EU).

Highly skilled multi-lingual workforce

More than 150 nationalities are represented across the Grand Duchy while in the country's capital, Luxembourg city, 65%² of residents are not Luxembourgish. No wonder so many languages are in daily use on Luxembourg soil, serving the linguistic needs of global companies.

One reason Luxembourg has become so multi-cultural is its attractiveness to highly skilled professionals. In 2008, a new immigration law for non-EU nationals eased the residence permits procedures for highly qualified workers, researchers and the transfer of employees from foreign parent or affiliated companies.

Luxembourg companies also recruit highly skilled professionals from the neighbouring countries of the Grand Duchy: 44%³ of the workforce commutes every day from France, Belgium and Germany.

The exceptional skills of the workforce are reflected in the high productivity per person employed; Luxembourg clearly outranks its EU-partners with 167 points (100 being the EU average)³.

High quality of life

Luxembourg appeals to senior executives and their families because of its high quality of life. The Grand Duchy is often described as the green heart of Europe and, after your first visit, you will know why: large

forests offer impressive outdoor opportunities less than 10 minutes from the UNESCO World Heritage city centre.

Families can relax in the safest city in the world, according to Mercer Consulting, with a wide variety of cultural events at the Grand Theatre, the Philharmonic Concert Hall, and a wide selection of museums. Films are screened in their original language at the city's cinemas and a steady stream of rock, jazz and pop concerts take place in Luxembourg. World cuisine is also very alive in Luxembourg and the country has the highest number of Michelin starred restaurants per square kilometre in the world.

Expatriate families can educate their children at international schools in English (International School of Luxembourg, Saint George's School), in French (Lycée Vauban) or in other European languages (European School). For those who wish to have their children enrolled in the Luxembourg school system, private and public schools welcome pupils from around the world and offer an international baccalaureate in French and English. Chinese, Russian and Japanese complementary schools also allow children from these countries to learn their mother tongue.

Taxation

The Grand Duchy of Luxembourg is among the EU Member States with the lowest public debt and the lowest budget deficit. These sound economic fundamentals allow the government to maintain a competitive level of taxation for both individuals and companies⁴.

¹ Source STATEC, figures for 2010 | ² Source Bierger Center, figures for 2009 | ³ Source Eurostat, figures for 2009
⁴ Luxembourg is on the OECD White List of Financial Centres that meet OECD standards.

Employer's social charges are low, so that despite above-average salaries, total employment costs are well below those of neighbouring countries. At the same time, the excellent public health care and insurance system allows most Luxembourg employees not to seek additional private health insurance.

○ Stable business-environment

Luxembourg's economic stability is backed by its social and political stability. The "Luxembourg model" involving trade unions, employers' representatives and the government ensure there is rarely a strike in the country. Since World War Two, coalition governments have always involved two parties so policies are not subject to large swings. This political stability allows for a sustainable, business-friendly legal and fiscal framework.

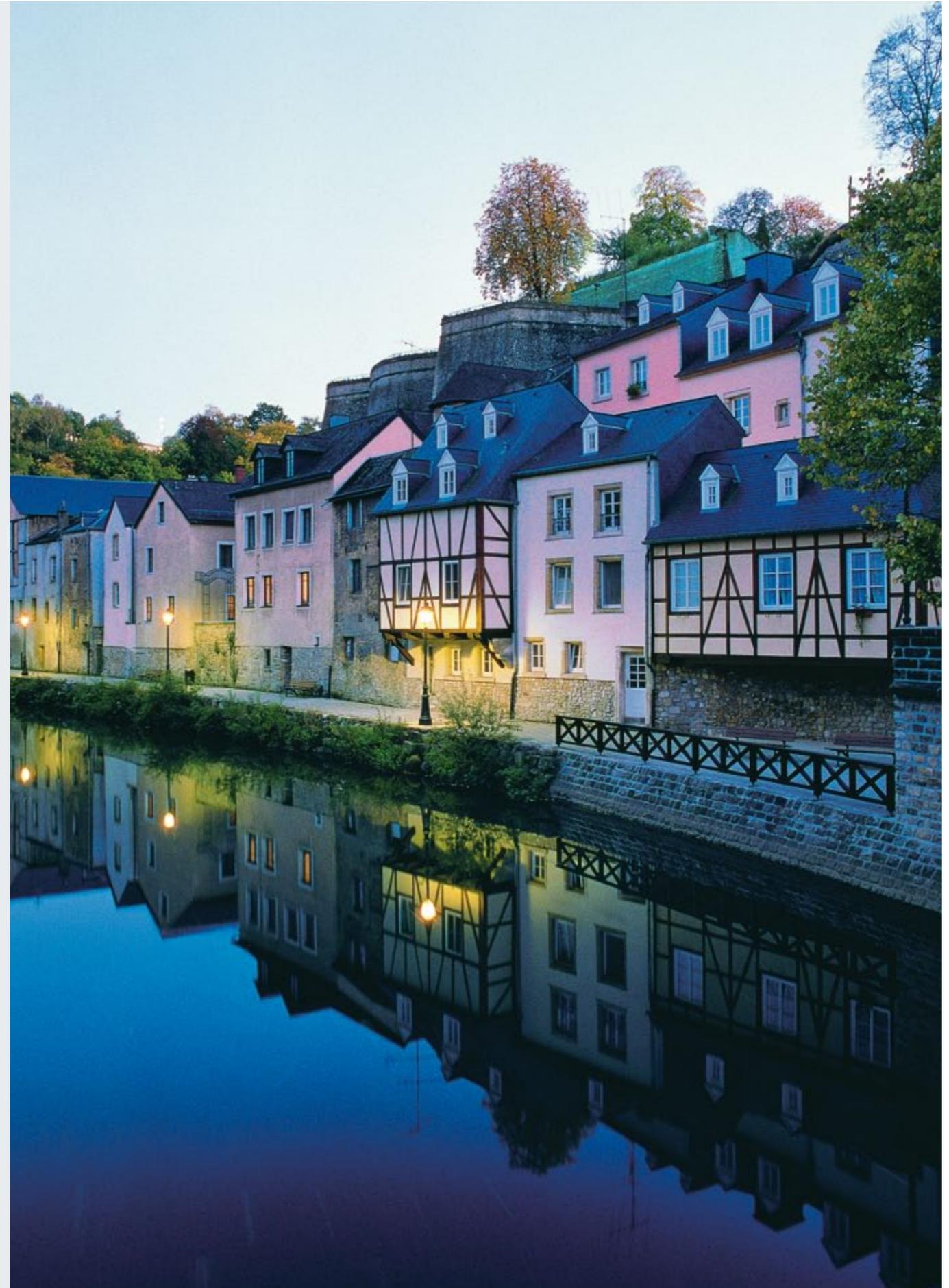
The political decision makers are very accessible to companies and are eager to listen to their concerns so the business environment can keep improving.

Goodyear Luxembourg

Herman Lange, CFO says: "The Grand Duchy is an attractive location for international business, because it can offer an experienced and dedicated workforce with broad language skills. In addition, the social environment is remarkably stable, and the administration and the Government are supportive to the business."

INTERNATIONAL RANKINGS

- **1st in international labour productivity**
(OECD, "Estimates of labour productivity levels", Jan. 2010)
- **Highest GNI per capita in Purchasing Power Parity**
(World Bank, World Development Indicators 2010)
- **2nd for economic globalisation**
(KOF Index of Globalisation 2011 – ETH Zurich)
- **World safest city**
(Mercer, "Quality of living global city rankings", 2010)



Strategic & other core corporate functions



Companies are increasingly looking to optimise their corporate structure by either establishing regional headquarters or relocating and merging global headquarters functions. Headquarters relevant functions are no longer located close to the company's manufacturing activities or other operational activities. The key is to strike the right balance between economies of scale, the need for optimal communication among functions and market proximity.

A decentralisation or a regionalisation of strategic and other core corporate functions can increase global effectiveness if these functions are performed by corporate officers who are closer to the target markets.

The peculiarity of a relocation of headquarters functions to Luxembourg is based on the unique combination of a geographical location and the attractiveness of the business environment. These features allow a Luxembourg based headquarters to host a set of key value creating functions.

○ Strategic planning

For fast-moving businesses, Luxembourg offers optimal conditions to host a company's strategic planning function. This is particularly true for industries faced with fast changing business conditions in many different EU-member states in sectors such as e-commerce, telecommunications and finance. For instance, leading ICT and e-commerce companies run their businesses out of Luxembourg giving them an ideal view of surrounding markets to design and implement strategic actions.

The implementation of a company's strategic aims can be based on human resources and competence availability and/or on tax, legal and financial tools, for which Luxembourg has gained an international reputation.

○ Company management

The management and supervision of diverse subsidiaries and branches may take various forms, including the implementation of group policy and the preparation of guidelines for producing, provisioning and stocking goods and services, controlling and consolidation functions or compliance rules.

Procurement, market research and marketing and sales functions for various markets can be designed, supervised and implemented from a single location in a coordinated way.

IT management and R&D functions can be centralised so as to achieve economies of scale and design and develop new products or services for a variety of needs and markets. The knowledge intensive higher

education system, R&D, data centre and broadband communications infrastructure, as well as the multinational staff of a Luxembourg-based headquarters, makes communication with relevant markets, suppliers and knowledge sources highly productive.

During the last two decades, many EU and non EU-based companies have set up corporate headquarters in Luxembourg. Financial holding functions and treasury centres are very popular as initial activities. Over time, many headquarters now also carry out additional support tasks and general company management functions at group level.

○ Mergers and Acquisitions (M&A)

The M&A function may be based in a Luxembourg HQ as the company can benefit from easy access to international business and can count on the support of many specialists in M&A transactions. Top service providers can assist in every aspect of a transaction, whether it is an M&A growth strategy, a complex transaction, a diverse portfolio or opaque holding structure.

Luxembourg has recently seen a boom in M&A activity with newcomers such as Infrastructure Funds and Sovereign Wealth Funds joining the traditional real estate, private equity and hedge funds already present in the market.

The new European Company structure (Societas europaea, S.E.) allows greater flexibility to implement cross-border mergers, acquisitions and divestments, as well as the registration of the company in a new country.



○ Legal & Intellectual Property (IP)

International legal firms and professionals specialised in European and national law are all established in Luxembourg. A HQ can therefore count on their expertise for all aspects of finance and business law.

By taking over the European company (or SE) statute, a Luxembourg based HQ can carry out its activities within the European territory under a single legal identity recognised in all member countries. The new corporate form has no impact on the company's domicile, the location of its head office, the employment contracts of its personnel, the company's tax status or the position of shareholders.

In the field of intellectual property (IP), Luxembourg has developed into a cost-effective, secure and rewarding location. A newly introduced fiscal statute allows large tax exemptions on income generated from the acquisition and development of IP as well as an exemption on capital gains and net worth taxes. (For more details, please refer to the chapter on "How are Luxembourg-based headquarters tax-effective".)

Luxembourg has been proactive in developing its IP standards and is party to all the major IP treaties and conventions. The Luxembourg authorities have created a safe IP environment by implementing EU directives as well as international agreements and treaties, such as the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) in order to secure IP rights.

Besides the numerous service providers offering assistance for all economic and legal aspects of IP, innovation as a source of IP is supported by the Luxembourg Agency for Innovation and Research, Public Research Centres and the University of Luxembourg, as well as by government-backed business-incubators and R&D investment incentives.

ArcelorMittal global headquarters in Luxembourg

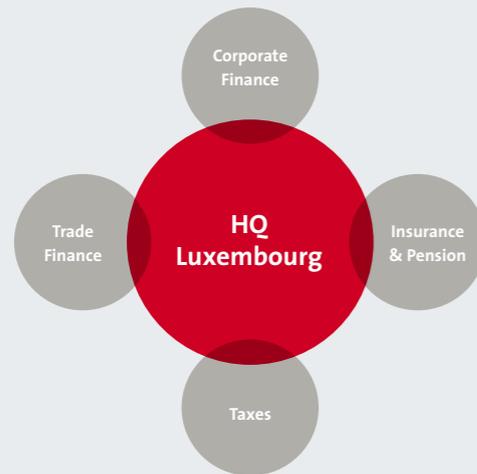
ArcelorMittal, the world's leading steel company has its global headquarters in Luxembourg. The Company employs more than 6,000 people in the Grand Duchy with around 1,000 in administrative posts in the headquarters in the City of Luxembourg. Another 400 are located in Esch-sur-Alzette, where ArcelorMittal has its main offices for its business area called Long Carbon Europe.

Other functions in the Luxembourg offices include certain sales and purchasing activities, legal and finance functions, the chief technology office, global coordination for health & safety, and other shared services such as HR, IT and logistics. The Board of Directors meets in the Grand Duchy, as do the management functions for numerous product lines around the world. Moreover, the ArcelorMittal Foundation and the Corporate Training Centre - the ArcelorMittal University - are based in Luxembourg. ArcelorMittal operates 9 plants and Distribution Centres in the country plus one R&D Centre, specialised in long steel products. The Company produces long and flat steel in Luxembourg as well as wire and copper foil.

Michel Wurth, a member of the Group Management Board and the CEO of ArcelorMittal Luxembourg said: "Establishing ArcelorMittal's corporate headquarter in Luxembourg after the merger has proven to be an excellent decision. The advantages of Luxembourg lie not only in the unique mix of industry, services and a financial centre, but also in its well educated international workforce and the closeness and reactivity of its government and administrations. It also offers a multilingual environment with high quality of life for our employees."



Finance functions



A Luxembourg HQ may be appropriate for treasury management and for undertaking financial transactions within a group as well as for controlling internal and external credit lines. The company can also act as general surveyor for group financing, with loans or guarantees to third party financial institutions, financing receivables, exchange risks or commercial

risks. With regard to group companies, a HQ can act in a holding capacity. In this context, it is important to note that a headquarter's operation can benefit from Luxembourg's broad network of international tax treaties.

Assistance to group companies so they can establish their audit and accounting functions on behalf of a group member is a typical HQ function. Auditing tasks primarily include internal auditing in order to meet group standards. Gathering information about technical standards, legislation and compliance regulations for different jurisdictions is also common in Luxembourg.

Goods and services sold within a group may typically be invoiced to the headquarter company. The added value the HQ places on such goods and services allows for a mark up attributable to Luxembourg, which can have a significant role in optimising the global tax burden. In addition, re-invoicing can concentrate any exchange rate risks within the HQ. With regard to insurance, HQs provide support for optimal insurance coverage and assist in limiting the corporation from being over insured.

○ Corporate finance

In order to make financing more effective, financial flows of individual group companies may be controlled centrally. The specific features of such a centralised function will depend on the structure of the corporation and cover financial transactions such as loan agreements with banks, issuing bonds on the European capital markets, managing cash flow at group level, factoring and leasing services, clearing intra-group payments and hedging foreign exchange positions.

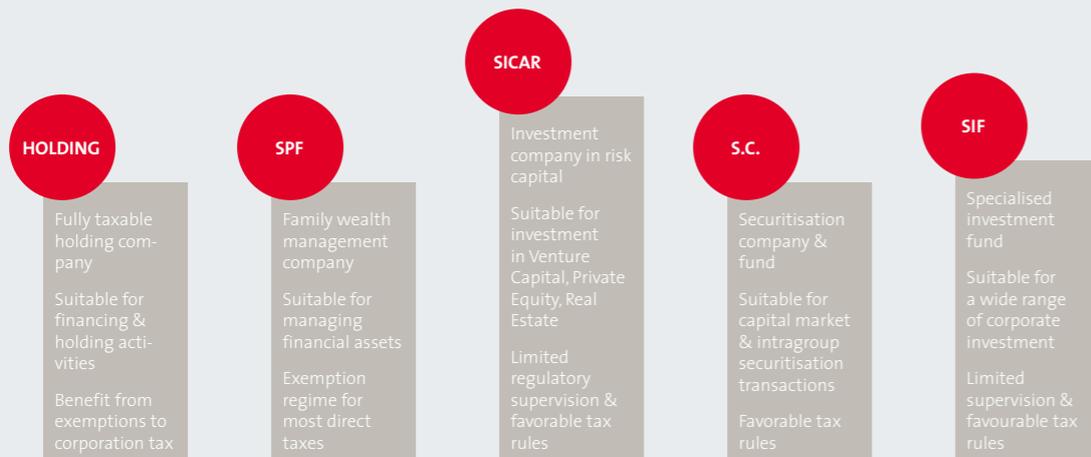
Having an appropriate organisational structure and process in place to support treasury management is most relevant in a cash flow intensive corporate environment.

Long standing experience in the area of wealth management has enabled the Luxembourg financial industry to acquire extensive knowledge of the financial services required by large and medium sized companies. Together with advisory companies, they propose financial solutions that optimise financing and asset holding structures, cash management, the

management of pension funds and share option plans. Thus, a Luxembourg-based headquarter has access to very skilled resources in these sectors.

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





Luxembourg Company

A Luxembourg Company can be used to optimise the management of a group of companies. A Luxembourg Company with mainly financial holding functions is often referred to as Société de Participations Financières or **SOPARFI**. Its potential field of activity reaches well beyond just holding assets.

A Luxembourg Company, which can benefit from the network of double tax avoidance treaties⁵, may engage in any activity relating to the ownership and control of shares. It can also engage in activities related to the management of its holdings (such as the provision of financial advice or financing activity) and any other production, distribution or other commercial activity that is directly or indirectly linked to the management of its holdings.

In keeping with the regime of the EU Parent-Subsidiary Directive, a Luxembourg Company can, under certain conditions, benefit from tax-free dividend payments from companies in which it owns a significant share.

Likewise, capital gains realised on the sale of subsidiaries are tax-free under clearly defined conditions. If the company engages in commercial activity, this is subject to standard income tax and VAT tax rules.

In addition to its role as a group parent company, the Luxembourg Company can also be used in the structuring of real estate portfolios and as a private equity investment vehicle.

The Family Wealth Management Company (Société de Patrimoine Familiale or SPF)

An SPF is a dedicated vehicle for the management of private wealth on behalf of individuals. Its only purpose is to acquire, hold, manage and sell financial assets. It is not allowed to undertake any commercial activity. The term “family wealth” refers to the “private wealth of individuals”. The law does not require a family link between the various shareholders.

An SPF may act, for instance, as a company structure for a club of investors, or for the acquisition of shares in a company by the employees or managers.

The Luxembourg Investment Company in Risk Capital (SICAR)

A SICAR is a tailor-made vehicle for private equity and venture capital investment.

A SICAR invests its assets in securities representing risk capital, in order to provide its investors with the benefits of the management of its assets in relation to the risk they incur. Risk capital is understood to be the direct or indirect contribution of assets to entities in view of their launch, their development or their listing on a stock exchange.

By contrast with the law on undertakings for collective investment, the SICAR law does not impose any investment diversification rules. A SICAR may therefore invest in just one or two companies, for example in particularly narrow sectors such as biotechnology or geological prospecting.

Investment in a SICAR is limited to qualified investors.

Securitisation

The Luxembourg legal framework enables the creation of securitisation vehicles in the form of regulated or unregulated securitisation companies and securitisation funds. These vehicles can be used to securitise any type of asset or risk and can be set up as an umbrella structure, that is, with segregated compartments enabling the same vehicle to be used securely for separate securitisation transactions.

The law offers statutory protection on a number of standard securitisation issues such as true sale, ring fencing, non petition and limited recourse.

The wide range of securitisation transactions covered by the law and a regime of tax neutrality give this investment vehicle additional potential and a correspondingly wide range of vehicles have been set up for different types of securitisation.

The Specialised Investment Fund (SIF)

The law on specialised investment funds provides the ideal framework for a dedicated corporate investment fund.

Reserved for use by institutional, professional and qualified investors, a SIF may invest in virtually any sort of asset, including shares, bonds, derivatives, structured products, real estate, hedge funds, private equity investments and physical assets such as art. The SIF must comply with the general principle of risk diversification, but the law does not lay down any quantitative tests.

By comparison with the structure of undertakings for collective investment, a SIF has less strict publication requirements and is operationally more flexible in its activities. A promoter is not required.

⁵ www.impotsdirects.public.lu/conventions/conv_vig/index.html

Trade finance

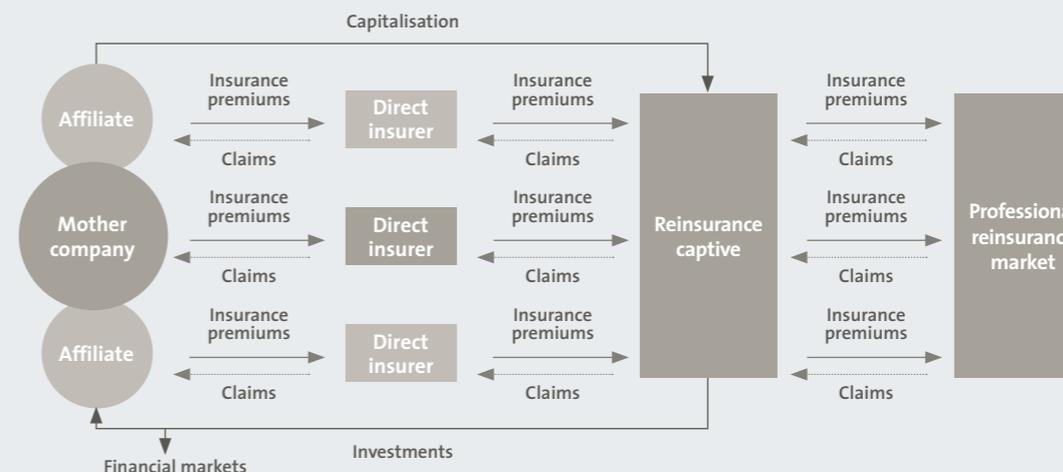
Companies operating international trade finance can count not only on a dense network of financial institutions but also on a new actor that is backed by the Luxembourg government. Two Luxembourg public financing institutions recently entered into a joint-venture with the world leader in trade finance solutions for small and mid-sized export transactions. This association provides term trade finance solutions for European small and medium-sized enterprises engaged in international trade, as well as larger firms with small and medium-sized transactions.

Risk management

As risk mitigation is now essential to preserve the value of a company and the confidence of its investors, Luxembourg offers innovative alternatives that provide multiple benefits for centralised risk management, financing and control via a Luxembourg based captive reinsurance company.

A captive reinsurance company provides the group with tailor-made tools that can compensate for the lack of appropriate cover available in the insurance market. It also provides direct access to the wholesale professional reinsurance market. In addition, a captive simplifies the centralisation of worldwide insurance programmes and the collection of group risk data (such as loss statistics, nature of the cover and control measures). This in turn enables risk to be managed at group level, guarantees better risk awareness at an operational level and increased transparency with regard to insurance-related costs.

The Luxembourg financial centre provides the ideal legal framework and administrative infrastructure for captive reinsurance solutions. With over 260 licensed reinsurance undertakings, most of which are captive companies, and managing tens of billions of Euros of investments, Luxembourg has become the largest domicile for reinsurance captives in the European Union and one of the largest in the world.



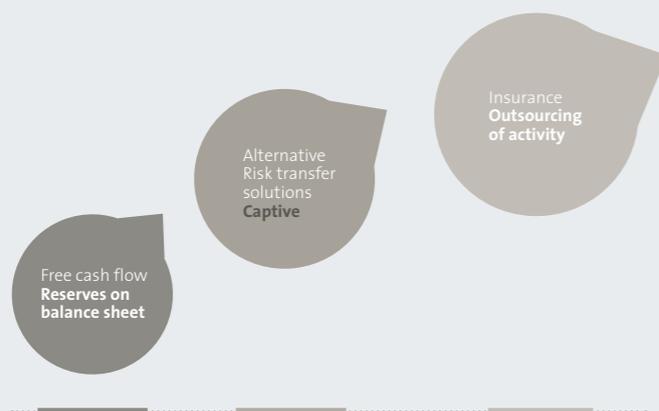
Pension plans

As the market demands higher levels of transparency and corporate governance, corporations must find global solutions to monitor and manage pension funds. Luxembourg’s pension legislation offers a lead over many other EU countries, where pension provisions are considered from a purely domestic perspective. Its cost effective pension framework is based on the overall need to ensure sound prudential supervision and protection for future beneficiaries of the pension scheme. Economic, tax and political stability combined with an appropriate regulatory framework make Luxembourg an attractive European pension centre.

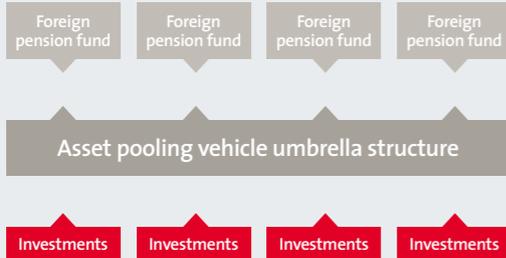
Luxembourg law has created two pension savings vehicles under the prudential supervision of the regulator for banks and investment funds, the Pension Savings Company with Variable Capital (SEPCAV) and the Pension Savings Association (ASSEP). These vehicles are flexible as regards the definition of legal and

corporate structure and enjoy attractive tax regimes (with respect to taxation of income, capital gains, net assets, VAT and benefit of double tax avoidance treaties). A third option lies in the pension funds regulated by the insurance supervisory authority (CAA).

Each of these vehicles can be organised as a “multi-employer” pension fund (e.g. a multinational company may organise the funding of several pension plans of its subsidiaries in a single pension fund, or a financial services company may set up a pension fund for its corporate customers).



Since legal and cultural barriers can hinder the development of the pan-European pension fund, Luxembourg also offers a pension fund pooling vehicle that allows the pooling of assets of several pension funds in one entity:



Furthermore, Luxembourg offers two other legal structures allowing companies to fund pension liabilities in reliable external entities: the group insurance contract and the pension trust.

Group insurance contracts are available to finance the obligations from occupational pensions either in the form of direct insurance contracts or in the form of reinsurance contracts. The main advantage of these contracts is that they are readily available and enable smaller and medium-sized employers to provide occupational pensions. For larger, internationally active groups, they offer a flexible instrument to complement the main pension scheme in countries where staff levels do not justify the implementation of the group pension fund.

In addition to pension funds, Luxembourg law provides a legal environment and a high level of protection for trusts to the extent that only supervised professionals such as banks, other financial intermediaries or insurance companies can become trustees. By comparison with pension funds, the pension trust is even more flexible as it is not a supervised entity as such (only the trustee is supervised). This gives total flexibility to the pension trust, for example in the area of investment policy, amendments to the investment policy or the surrender of pension rights. This pension trust may be the appropriate solution for expatriate pension plans where a maximum of flexibility is often required.

Skype global headquarters

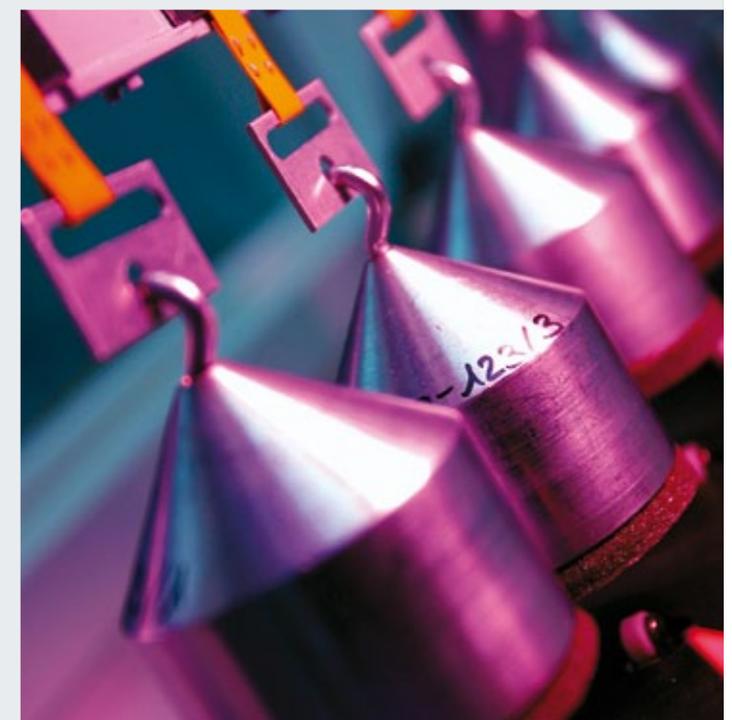
Skype, "the world's communications platform", has its global headquarters and data centre facilities in Luxembourg. Global Head of Government Relations & Regulatory Affairs Stephen Collins explains: "From its inception, Skype's global headquarters has been in Luxembourg; our CEO and his executive team are based in our Clausen offices, along with the Finance, Customer Support and Facilities functions, among others. The attraction of Luxembourg as a business location can be summarised in three reasons: financial hub and favourable investment environment; good access to Europe and European markets; highly capable and professional authorities. In addition, the progress made by Luxembourg to increase Internet connectivity and capacity into and out of the country has allowed greater use to be made of local data centres."

Delphi HQ operations in Luxembourg

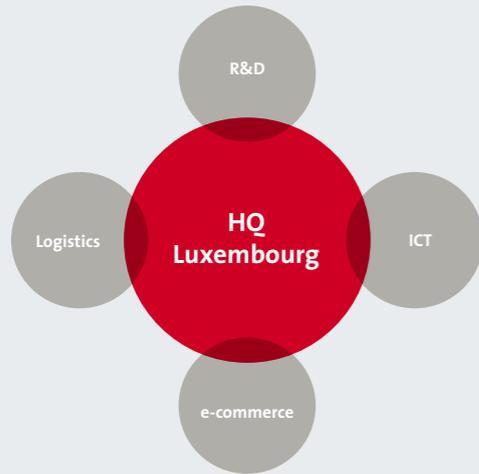
Delphi is a leading global supplier of electronics and technologies for automotive, commercial vehicle and other market segments. Delphi's Luxembourg Customer Technology Centre, located in Bascharage, houses the company's European headquarters as well as the global headquarters for its Powertrain Division. Established in 1971, the site also covers operations for other Delphi divisions.

"Delphi selected Luxembourg for its central location and significant business advantages, including cultural diversity, pro business climate, a positive relationship with government, quality of life, and commercial neutrality to automotive customers. Delphi considers Luxembourg as a performing business location for research-driven activities and our Customer Technology Centre in Luxembourg is among Delphi's leading R&D centres in the world," says Ronald M. Pirtle, Vice President, Delphi Corporation, President, Delphi Powertrain Systems and President, Delphi Europe, Middle East & Africa.

At its Bascharage facility, over 600 Delphi employees support customers around the world in their native languages. The personnel encompass all functional staffs including engineering, human resources, purchasing, quality, finance, customs, tax, sales and marketing. Research and development activities are focused on innovative solutions to reduce the impact of automobiles on the environment by reducing fuel consumption, improving CO2 emissions, and providing environmentally friendly air conditioning systems.



Operational & support functions



A headquarter increases a company's global efficiency when it centralises the operational and support functions.

Recruitment and payroll administration can be cost effective when handled by a headquarter company. It is a clear solution for efficient, culturally compatible and tax-effective international compensation strategies and mobility programmes.

Product development and the exploration of new methods of production can be consolidated in one area

in order to improve supervision and management. A HQ often owns the resulting intellectual property.

Research, market analysis, and the preparation of sales policies may be centralised within a geographic region. This includes planning and organising the group's advertising campaigns as well as follow-up market research activities and public relations coordination.

This may also involve the centralisation of procurement or the preparation of shipping documentation, customs formalities, official reports and other administrative requirements.

The central location of a country is key. But infrastructure and strong public support are also important elements to achieve success. Luxembourg clearly provides these benefits.

Research and development (R&D)

Luxembourg has a strong industrial R&D and technology culture. Many big players have established their R&D centre in Luxembourg: Goodyear operates its largest R&D centre outside the US in Colmar-Berg, located in the centre of the country; Delphi, with its European headquarters and worldwide powertrain business headquarters in Bascharage, also employs

over 600 technical experts in its Luxembourg R&D centre; DuPont de Nemours, Novelis/Hindalco, Ceratizit, IEE, ArcelorMittal, SES and Paul Wurth all operate R&D functions in the Grand Duchy.

As research, development and innovation are critical for competitiveness, the government has invested substantial financial and organisational resources.

State incentive packages for research and development have been improved, with a greater focus on innovation, including the services sectors. Support can come in the form of direct grants or loans from the national investment bank Société Nationale de Crédit et d'Investissement (SNCI).

Innovative start-ups can be incubated, hosted and coached in publicly owned facilities to ease their early development and access to state services and support.

A recent reform of innovation incentive measures has taken this policy to a new level, with increased focus on innovative managerial and production processes in all types of firms.

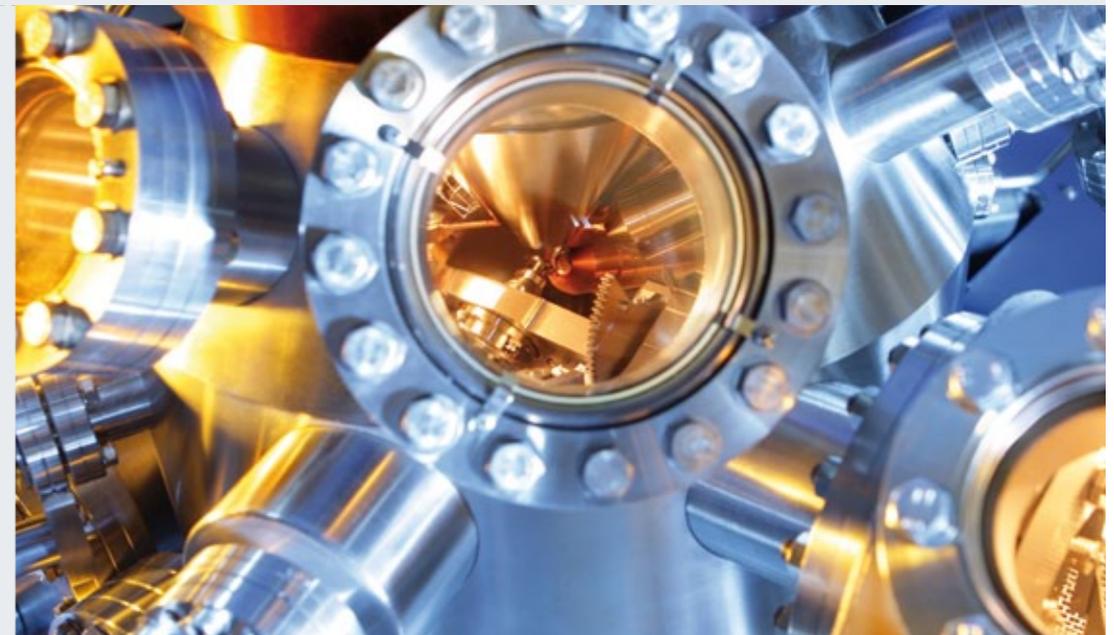
Luxembourg is well integrated in an international cluster of universities. In the area known as the "Greater Region" comprising the Grand Duchy of Luxembourg, the Belgian region of Wallonia, the

French Lorraine region and the German federal states of Rhineland-Palatinate and Saarland. There are 15 universities with 250,000 students and 25,000 researchers. The recent establishment of the research-driven University of Luxembourg opens interesting prospects for R&D cooperation between the public and private sectors. So do the three Public Research Centres which are focused on different industry-specific sectors. Their missions are to boost and foster R&D activities in Luxembourg, to encourage technical and scientific cooperation as well as technology transfer between the public and private sectors and to stimulate new economic activities.

Since 2000, Luxembourg has multiplied its public expenditure on public research by ten with an ultimate goal of 1% of GDP, added to the nearly 1.4% of GDP invested in R&D by private companies.

INTERNATIONAL RANKINGS

- 3rd worldwide in overall innovation and competitiveness (Information Technology and Innovation Foundation, annual survey 2009)
- 1st in number of patents per inhabitant (The Economist, World in figures, 2010)



The University of Luxembourg

The University of Luxembourg was established in 2003 and is expanding fast. Masters and PhD students are supported by a climate offering solid research capabilities within the three faculties: the Faculty of Science, Technology and Communication; the Faculty of Law, Economics and Finance; and the Faculty of Language and Literature, Humanities, Arts and Education.

Luxinnovation

The National Agency for Innovation and Research is the first-stop shop for information and guidance on innovation and R&D in Luxembourg including national and European programmes. Luxinnovation assists companies in identifying abilities and requirements, finding the right instruments for financial and technological support and facilitating access to support programmes for innovation and research at national and European levels.

Public Research Centres

The Gabriel Lippmann Public Research Centre is involved in applied scientific research, technological development, technology transfer and continuing high-level education and training. The Centre has concentrated its activities in 4 main areas: new material technology, particularly nanotechnology and instrumentation development; sustainable management of natural resources; information technology; and automotive parts.

The Henri Tudor Public Research Centre offers a wide range of services and activities, including contract research, technology transfer, technological assistance and consulting. Its main domains are: information and communication technologies, business organisation and management, materials technologies and environmental and health care technologies.

The Public Research Centre for Health covers fundamental, applied, clinical and public health research. The laboratories of its research institute conduct research in virology, immunology, oncology and cardiology. The Health Institute brings together a wide range of high-level expertise in epidemiology, biostatistics, quality systems, health economics and the management of sanitary information systems.

Logistics function

Over the last decade, Luxembourg has improved its attractiveness as an intercontinental logistics hub in Europe for contract, air and rail-freight-based logistic activities.

Luxembourg's international airport is the 5th largest freight airport in Europe and the home base of Cargolux International Airlines, Europe's leading all-freight airline. Luxembourg's airport cargo centre, with its planned capacity of 1.2 million tons of freight handling per year, offers a high quality service. With its modern air freight handling facilities, LuxairCargo offers secure, efficient and speedy ground handling so wide body freighter planes can clear customs and be unloaded in just 90 minutes.

Conventional rail freight and container companies operate daily railway connections to the ports of the North Sea, making Luxembourg a hinterland port of Antwerp, Zeebrugge, Rotterdam and Hamburg.

Located at the junction of major North-South and East-West railway and motorway corridors, Luxembourg

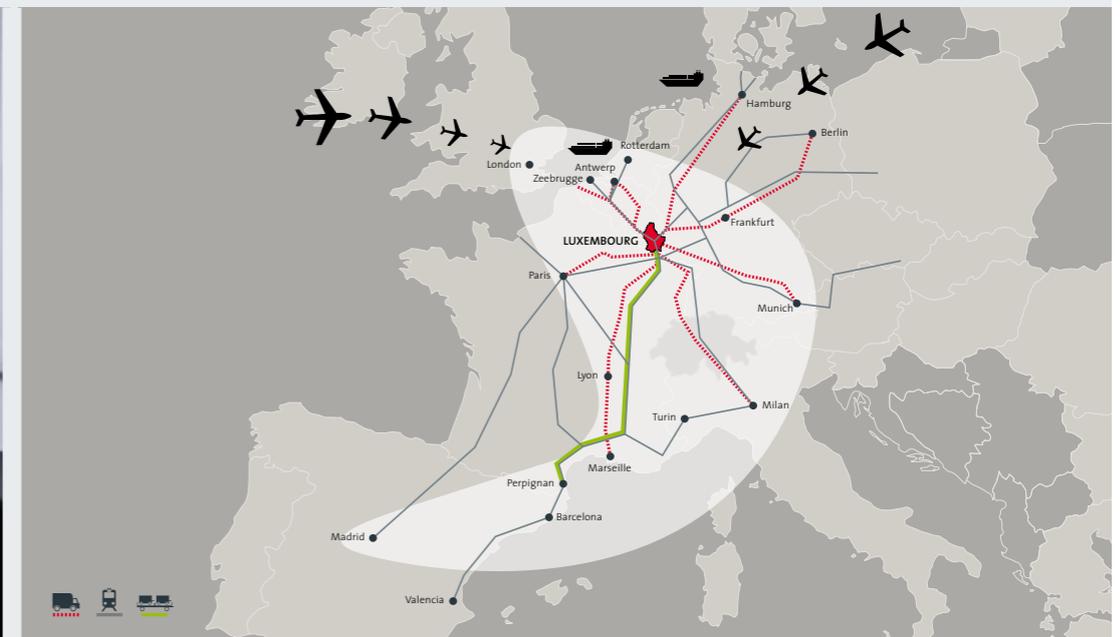
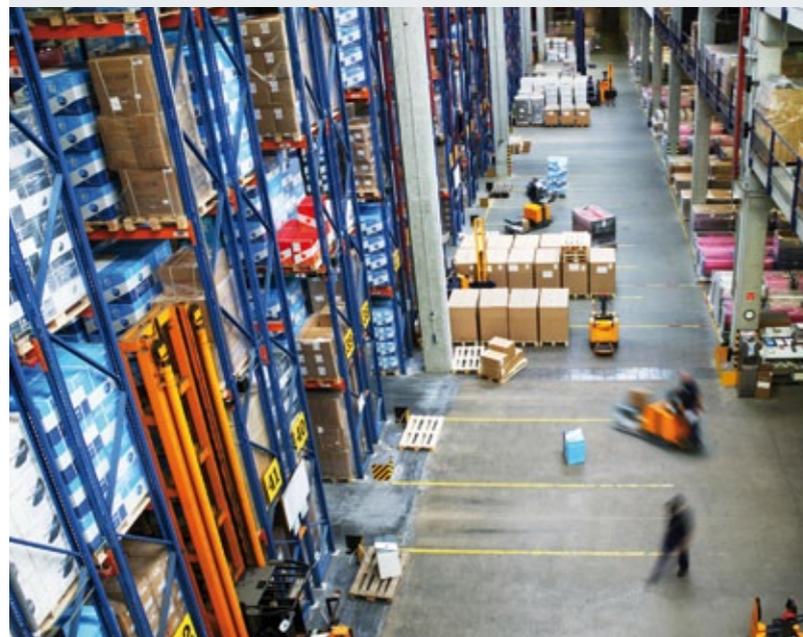
provides easy and uncongested access to the European consumer market.

Inland navigation constitutes a further reliable and safe transportation mode and Luxembourg has a river port which can be used for raw materials, agricultural products etc to other inland and North Sea destinations.

The Ministry of the Economy and Foreign Trade also operates logistics parks very close to the airport and the major railway and highway corridors.

INTERNATIONAL RANKINGS

- 5th in Logistics Performance Index (World Bank, 2010)



Favourable tax and regulatory environment:**No VAT pre-financing**

Most countries in the EU require that importers pay Value Added Tax (VAT) upon import of goods into the EU, prior to the sale of goods to the end consumer, a practice referred to as “pre-financing of VAT”. Luxembourg is the only 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.

Fiscal representation

Businesses that source their goods from outside the EU do not need a permanent establishment in the country of destination to comply with their fiscal obligations and may use the service of a fiscal representative that takes care of their import declaration, payment of VAT, if any, and other duties such as the reporting of intra-EU supplies as well as the statistical and VAT declarations for the importation of goods.

Towards a paperless environment

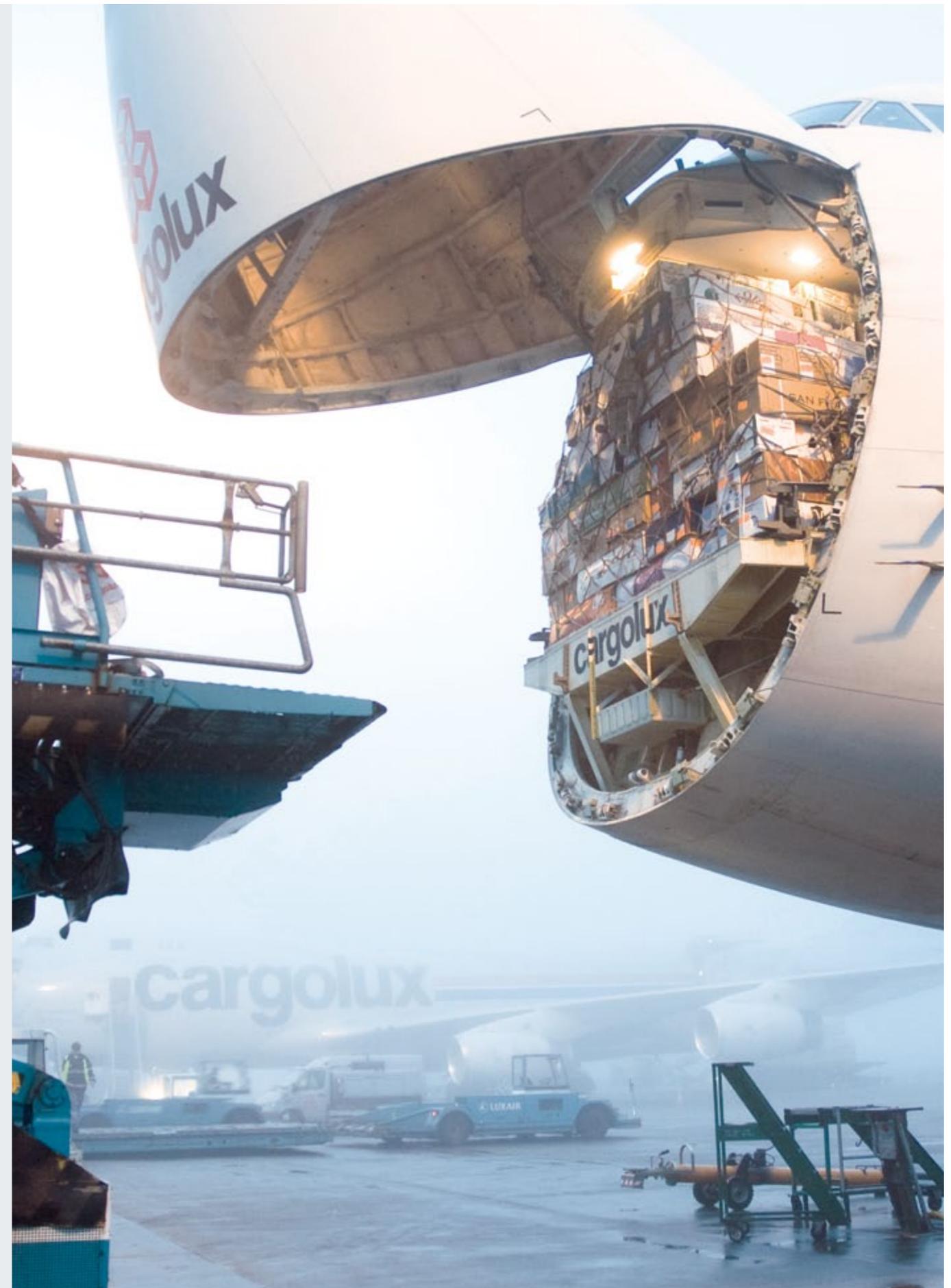
In cooperation with the European Commission, the Luxembourg customs authorities have implemented a paperless trade and customs environment reducing trade transaction costs and contributing to trade facilitation.

Authorised Economic Operator (AEO)

This concept gives reliable operators the status of a secure and trustworthy service within the supply chain. An AEO benefits from faster and easier customs clearance.

Recognised certification agency

Thanks to the service offered by Luxembourg’s certification agency SNCH (Société Nationale de Certification et d’Homologation), it is possible to access international markets within a minimal period of time and at a reasonable cost.



ICT function

Luxembourg embraces IT and has strengthened its position in the media sector. Two major home grown firms are the RTL Group in media and SES in satellite transmissions. Other multimedia, telecommunications and e-commerce companies like Amazon, Skype and Rovi Corporation have followed, leading to the growth of Luxembourg's vibrant and closely-knit ICT network.

Infrastructure is essential for every ICT or online business. "Luxembourg has transformed itself into one of Europe's top locations for ICT infrastructure (data centres, connectivity, and Internet traffic) following more than five years of targeted public and private investment."⁶

Outstanding connectivity

The country is not only physically situated at the heart of Europe, but is linked to all the major European hubs through a fibre optic network offering reliable connectivity at very high speed with all major European centres.

Luxembourg is effectively connected to the backbone of Europe (T1 link) through several providers. This means that companies planning to locate their international activities in Luxembourg are able to choose between several providers and many links.

Teralink uses an infrastructure of more than 4.000 km, comprising 12 POPs linked to seven major European cities. LuxConnect and Artelis/Cegecom are other main players offering fibre optic connections to all major European hubs.

The world leader in satellite services SES has its headquarters in Luxembourg and offers high-speed data transmission, Internet backbone connection platforms, private networks, communication solutions and Internet access.

Luxembourg also features its own commercial Internet Exchange (LU-CIX). LU-CIX provides a number of services, including Internet Transit and Public Peering.

Advantages for companies in Luxembourg include

- Shorter routing resulting in optimised Internet flow and reduced latency
- New, alternative routes relying on congestion-free circuits
- Increased data throughput
- Lower costs
- Ample power and space availability⁷

Data Centres and Business Continuity

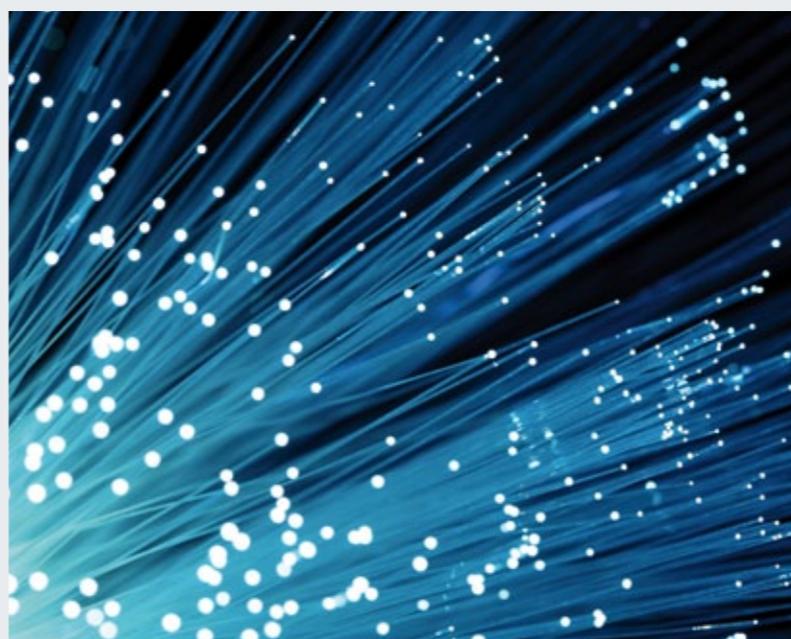
There is a large amount of Tier III and Tier IV data centres, with adequate space available. This is especially important to the financial services and online content industries. "Luxembourg has a vibrant data centre market due in part to critical public investment. Luxembourg now has ample availability of state-of-the-art data centres offering a variety of services from rack space to fully-managed facilities and business continuity centres."⁸

With an excellent infrastructure and telecommunication networks, as well as a culture of trust and security reflected in its legal framework, Luxembourg thrives as the ideal place to serve as a global hub for the distribution of digital audiovisual content, such as music downloads, video-on-demand, pay TV and digital radio and television distribution.

INTERNATIONAL RANKINGS

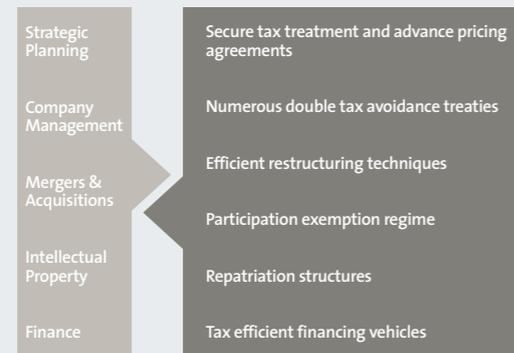
- 2nd out of 159 countries in the ICT Development Index (IDI) taking into account ICT access, Internet band width, mobile broadband, cellular penetration, lowest ICT tariffs, according to International Telecommunication Union (ITU) (2010).

6 iDC, 2010 | 7 iDC, 2010 | 8 iDC, 2010



How are Luxembourg-based headquarters tax-effective?

The legal and tax environment is certainly one of the most important reasons why Luxembourg is attractive to businesses wishing to establish headquarter operations. The country has developed favourable tax rules from both corporate and individual standpoints.



General tax aspects

Luxembourg corporations are subject to a corporate income tax rate of 21%. In addition, a surcharge of 5% of the corporate income tax is payable to the unemployment fund. A local income tax (municipal business tax) is also levied by municipalities (6.75% in Luxembourg City). The maximum effective overall tax rate for companies in Luxembourg City is 28.80%. The following is a sample tax calculation for a company:

Profit	100.00
Corporate income tax at 21%	-21.00
Unemployment fund surcharge at 5%	-1.05
Municipal business tax	-6.75
	71.20
Total income tax	28.80
<i>as percentage of corporate income</i>	28.80 %

Luxembourg resident companies are subject to an annual net worth tax of 0.5% based on their net asset value. The valuation of certain assets may substantially reduce the basis for computation (i.e. real estate is assessed at a very reduced historical value, substantial shareholdings and IP assets are exempt). Luxembourg tax law also allows a company to reduce or neutralise its net worth tax.

Mitigation of taxation on foreign-source income

Taxation in Luxembourg of foreign-source income is mitigated through numerous double tax avoidance treaties. If no tax treaty applies, a foreign tax credit is available under domestic law to Luxembourg resident companies for foreign-source income that has been subject to an equivalent income tax abroad. The maximum tax credit corresponds to the Luxembourg corporate income tax that is payable on the net foreign-source income.

Low impact of withholding taxes

Luxembourg does not impose any withholding tax on the payment of interest, except in specific cases such as interest on profit participating bonds or payment of interest from EU citizens falling within the scope of the EU Savings Directive.

There is no withholding tax on royalties paid to resident or non-resident companies related to patents, trademarks and know-how.

Finally, there is also no withholding tax on liquidation proceeds.



Advantages of the Luxembourg participation exemption

Luxembourg has a favourable tax regime related to income, gains, or net worth related to the substantial holding of shareholdings. This regime is commonly referred to as a participation exemption regime.

Under the participation exemption regime, there is an exemption from Luxembourg corporate income tax on dividends received if certain conditions are met (i.e. distribution received from qualifying entities in the European Union or treaty-related countries, minimum holding period of 12 months and minimum participation of 10% or 1.2 million Euros).

Likewise, capital gains derived from the sale of qualifying participations can be exempt under the participation exemption regime. The qualifying conditions under these rules are similar to those for the dividend exemption, except that the holding rate may not fall below the threshold of 10% of the disposed company's share capital, and the acquisition price may not fall below 6 million Euros.

In certain cases, the amounts received upon the partial or total liquidation of a subsidiary may also benefit from the participation exemption for dividends.

Special exemption for income from IP rights

Since 1 January, 2008, a new tax regime applies to fully taxable resident individuals carrying on a business and corporate entities. It also applies to Luxembourg permanent establishments of non-resident companies and non-resident individuals carrying on a business in Luxembourg.

The regime includes a partial exemption of 80% of the income deriving from the use, exploitation and/or disposal of qualifying intellectual property rights, bringing the effective tax rate on the income down to 5.76%. Three situations are covered:

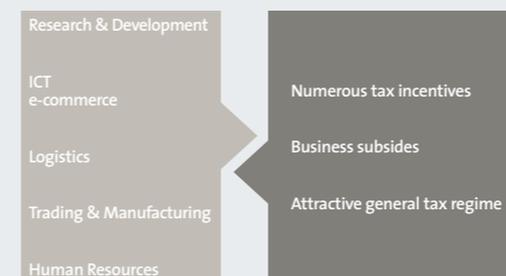
- The remuneration for exploitation of intellectual property rights;
- The use of intellectual property rights constituted by a company for the purpose of its own activity;
- The disposal of intellectual property rights.

The exemption regime applies to income from copyrights on software, patents, trademarks, designs, models and domain names that are acquired or constituted by the company. Moreover, since 1 January, 2009, intellectual property rights qualifying for the

partial income tax exemption are fully exempt from net worth tax.

Absence of capital duty and tax transfer

In 2009 capital duty was abolished and replaced by a lump sum registration duty of 75 Euros, paid upon the incorporation of a Luxembourg company, the modification of the by-laws of the Luxembourg company and the transfer of the effective place of management or registered office of foreign companies to Luxembourg. Also, there is no transfer tax on the transfer of movable assets (such as securities, tangible assets and intellectual property), nor on the transfer of immovable assets located outside of Luxembourg⁹.



Investment tax credit

Luxembourg is encouraging operational companies to invest in their production assets. A tax credit of 7% is granted on qualifying investments acquired during a year (3% on the amount of the investment exceeding € 150,000). For investments in ecological equipment and projects, these rates are increased by a further 1%. In addition, a tax credit of 13% is granted for additional investments made during the tax year. These investment tax credits will reduce the corporate income tax of a company and may be carried forward for 10 years if unused.

⁹ Transfer of real estate located in Luxembourg is subject to transfer tax, specific exemptions being applicable.



○ Customised incentives

Luxembourg encourages companies to carry out their investment or project development strategies by offering them a wide range of customised incentives within the framework of national incentive schemes and EU funded programmes managed at the national level. These incentives are available to both large corporations as well as small and medium sized companies (SMEs) and start-ups legally established in Luxembourg. They can take different forms, ranging 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 expenditures by SMEs
- Research & development activities and innovation
- Regional development: covering eligible capital expenditures carried out in specific regions of the country
- Small business: covering eligible capital expenditures in the small commercial or craft sector
- Environment: covering capital expenditures for environmental protection, energy efficiency and renewable energy production
- Continuous vocational training: covering the development of professional skills.

In addition, two dedicated institutions provide business incentives in the form of loans (Société Nationale de Crédit et d'Investissement – SNCI) and export financing (Office du Ducreire).

Further incentives are available for investments in specific sectors such as venture capital and audio-visual productions.

○ Favourable tax regime for expatriates

The aim of this new tax regime is to increase the attractiveness of Luxembourg for expatriates. It targets highly qualified individuals who are required so that international companies can develop their activities. The special regime offers tax relief that mitigates the expenses related to relocation, such as house moving and housing costs (if the employee maintains his house in the home country), expenses related to the relocation back to the home country, some travel costs between the home country and Luxembourg, school fees as well as a lump sum to cover the cost of living adjustment (COLA). For the Luxembourg employer the expenses made are considered as tax deductible charges. For the highly qualified worker the expenses borne by the employer are not considered as an income.



Contact us

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○ Throughout the world

Luxembourg has a broad network of representatives in more than 150 locations worldwide which can support you in doing business from and with Luxembourg. To consult our network of Trade and Investment Offices, go to our website at
www.luxembourgforbusiness.lu/international_network.

Useful links

General information

Ministry of the Economy and Foreign Trade (Invest in Luxembourg):
Luxembourg for Business:
Luxembourg for Finance:
Ministry for Small Business and Tourism:
National Credit and Investment Corporation (SNCI):
Luxembourg Chamber of Commerce:
National Statistical Office (STATEC):
Luxinnovation:
Luxembourg portal for Innovation and Research:
Supervisory Commission for the Financial Sector (CSSF):
National Tourist Office:

www.investinluxembourg.lu
www.luxembourgforbusiness.lu
www.lff.lu
www.mcm.public.lu
www.snci.lu
www.cc.lu
www.statec.lu
www.luxinnovation.lu
www.innovation.public.lu
www.cssf.lu
www.ont.lu

Tax information

Income and corporate taxes:
Customs and excise duties:
Value Added Tax:

www.impotsdirects.public.lu
www.do.etat.lu
www.aed.public.lu

Professional associations

Association of the Luxembourg Fund Industry (ALFI):
FEDIL Luxembourg Business Federation:
The Luxembourg Bankers' Association (ABBL):
Insurance Companies Association:

www.alfi.lu
www.fedil.lu
www.abbl.lu
www.aca.lu

Legal information

www.legilux.lu

Useful information about incorporation procedures, labor law, immigration, employment taxes and social security can be found under Luxembourg's business portal

www.enterprises.lu

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