



**Luxembourg – a gateway for
Russian and CIS business in
Europe**

September 2016

1. Why choose Luxembourg?

Country overview

Luxembourg is well known as an international center for business. The country's geographical location, political stability, availability of multicultural and highly qualified workforce, together with a strong legal environment and attractive tax framework, have been key factors in establishing Luxembourg as a hub for financial, industrial, and commercial sectors. The Luxembourg government is successfully contributing to the development of a business-friendly environment.



Luxembourg:

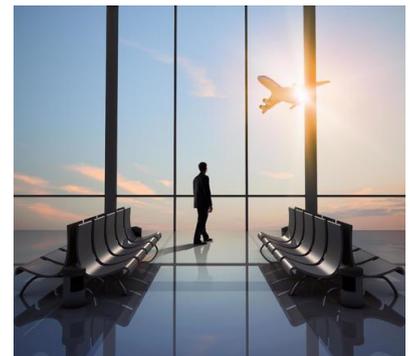
- Has a AAA rating
- Is among the countries with highest GDP per capita
- Has the lowest unemployment in the EU
- Is an international financial and business center
- Is a founding member of the EU and part of main international bodies
- Is a country with an attractive and business-friendly tax and legal environment
- Is a country promoting R&D, maritime cluster, and Islamic finance

Investment center

For many years, Luxembourg has been the leading investment center in Europe (first in Europe, second in the world after the US). Luxembourg demonstrated its pioneering role within this thriving industry by creating a favorable environment for the structuring of funds, including alternative vehicles like hedge funds, private equity and real estate funds through UCITS, SIFs, SICARs, Limited Partnerships, and nowadays new Reserved Alternative Investment Funds structures.

Quality of life, art, and culture

One of Luxembourg's major distinctive characteristics is its multicultural environment with a thriving Russian community. Luxembourg offers a number of public and private schools, as well as a university system with an excellent reputation. Luxembourg's central location is its key asset. Several major EU cities can be reached by car, train, or plane in under two hours for business or leisure purposes. Luxembourg has a world-class cultural life with musical and visual entertainment, first-class theatres, concert halls, and cinemas regularly attracting international artists. With its high standard of living and a leading position in international rankings, Luxembourg is one of the world's best places to live.



**Russian and CIS players are already present in the market.
Are you next?**

Luxembourg has strong economic, political, and cultural relationships with Russia and CIS. Luxembourg has successfully embraced a number of Russian & CIS international players in the market, such as ABLV (a Latvian bank with a number of Russian speaking professionals), Bank GPB International and Gazprombank Asset Management (members of Gazprombank Group), East-West United Bank, Gazprom, Letter One of Alfa group, RCB (a Russian bank historically linked to VTB Bank), Rusnano, Rosneft, Sodrugestvo Group, Volga Group, and many others.



2. The first thing to know before setting up a Business

Accounting, filing, and auditing requirements

Upon incorporation, companies must file the articles of association and the names of all directors and managers with the Trade and Company Register, as well as publish that information in the *Official Gazette*. The approved annual balance sheet, profit-and-loss statements, notes to the accounts, and annual and auditors' reports should also be filed with the Trade and Company Register. The rules for publication of the company's balance sheet, profit-and-loss account, and notes are simplified for small and medium-sized companies.



Legally required annual stand-alone or consolidated accounts should be prepared in accordance with the Luxembourg generally accepted accounting principles (the "Lux GAAP"), or IFRS. Financial statements must be submitted annually and revised by a statutory or independent auditor. The annual accounts should be filed with the Commercial and Companies Register within the month of their approval and no later than seven months after the end of the financial year for references.

Overview of relevant taxes

A. Taxes on individuals

Luxembourg Quick Tax Facts for Individuals	
Income Tax rate	Progressive to 42%
Capital Gains Tax rate	0% / 50% of applicable tax rate
Double tax treaty relief	Yes
Employment surcharge	7%
Net Wealth Tax	No
Social security	12.73% - 14.9% withheld by employer

Generally, Luxembourg residents are taxable on worldwide basis. Non-residents are taxed only on their Luxembourg-source income. Taxable income of individuals includes income from a business or profession, income from employment, all benefits-in-kind, and income from rental and royalties. Interest is taxed as investment income. A tax credit may be available for individuals who have paid tax on income earned in countries with which Luxembourg has no tax treaty. Income derived from treaty countries generally is exempt in Luxembourg if it has been taxed in that country.



B. Business taxation

Luxembourg Quick Tax Facts for Companies	
Corporate Income Tax rate	2016 – 21% + 7% employment surcharges
Municipal Business Tax rate	6.75% – 12% (depending on canton)
Net Wealth Tax rate	0.5%
Aggregate Corporate Tax rate	29.22% (for Luxembourg city)
Value Added Tax rate	17% (standard rate) / 14%, 8%, 3%, 0% (reduced rates)
Participation exemption	Yes
Losses carry forward	Indefinitely
Tax Credit	Yes
Tax consolidation	Yes

Resident companies are subject to tax on their worldwide income while non-resident companies, such as Luxembourg branches of foreign companies, are subject to tax only on Luxembourg-source income. Taxable income is calculated based on the profits as stated in the commercial balance sheet with certain adjustments (e.g., non-deductible taxes, an exemption for dividends, etc.). Under the common rule, companies should prepare their balance sheet in accordance with the Lux GAAP, unless otherwise required. Companies incorporated in Luxembourg can prepare their commercial accounts in a currency other than euro, and may, under certain conditions, use a currency other than euro in calculating their taxable results. The use of a foreign currency in determining the tax results reduces the tax administrative burden and eliminates tax-related foreign currency exchange gains or losses that are not recognized from an accounting perspective.

C. Value-added tax

Luxembourg’s standard VAT rate of 17 percent is the lowest standard rate in the EU. As a general rule, financial transactions, such as credit, loans, deposits, services related to shares and securities, as well as export and certain services (including medical and health services), are exempt from VAT.

D. Double tax treaty network

Luxembourg has a broad tax treaty network (77 tax treaties are in force), including with Russia, Armenia, Kazakhstan, Moldova, Tajikistan, and Uzbekistan. The Grand-Duchy tends to follow the OECD model treaty for negotiations and has included a mutual agreement and an exchange of information procedure in its tax treaties.



3. Deloitte in CIS and our CIS Desk in Luxembourg

Deloitte provides a full range of audit, tax, legal, consulting, and financial advisory and risk management services to public and private clients spanning multiple industries. In the CIS region, we are more than 3,000 people working across 11 countries. In Luxembourg, Deloitte counts more than 1,900 employees.

In an increasingly complex business environment, an all-embracing approach is required to meet the challenges of growth, globalization, profitability, constant regulatory change, and technological progress. To meet our clients' needs, we have built the CIS Desk in Luxembourg, which combines professionals from audit, tax, and consulting services with solid knowledge of international business, as well as Luxembourg and CIS legislation. There are more than 25 Russian speakers within Deloitte Luxembourg to provide services to our clients from CIS in their mother tongue. We have strong experience and a long track record of providing high-standard professional services to CIS clients. The audit partner Ekaterina Volotovskaya is leading the Deloitte Luxembourg Russian practice. She is the President of the Luxembourg-Russia Business Chamber.



4. How can we help you?

Below you will find an overview of the services our CIS Desk would be happy to propose to your business.

Audit	Tax	Consulting
→ Statutory and contractual audits of stand-alone and consolidated accounts	→ Corporate income tax	→ Human Capital
→ Contribution in kind	→ Mergers & acquisitions	→ Strategy and Operations
→ Quasi-contribution	→ Fund services	→ Technology
→ Interim dividend distribution	→ Tax management consulting	→ Subsidies for vocational training
→ Mergers & division	→ Private company services	
→ Voluntary dissolution	→ R&D and government incentives	
→ Conversion of warrants or convertible loans into share capital	→ Transfer pricing	
	→ Global employer services	
	→ Indirect tax	
	→ Business Process Solutions	
	→ International tax	

Our approach combines insight and innovation from multiple disciplines with business and industry knowledge of CIS and Luxembourg to help your company excel globally.

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