Withholding taxes

<table>
<thead>
<tr>
<th>Type of income</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>15% of gross dividends (unless parent-subsidiary regime applies, exemption or reduced rate possible with tax treaty countries)</td>
</tr>
<tr>
<td>Interest</td>
<td>0% (except for profit-sharing bonds and debt instruments with remuneration linked to the issuer’s profits)</td>
</tr>
<tr>
<td>Royalties</td>
<td>0% (subject to certain exceptions)</td>
</tr>
<tr>
<td>Liquidation</td>
<td>0%</td>
</tr>
</tbody>
</table>

Withholding tax on director’s fees:

- 20% of gross fees paid to resident or non-resident directors

Administrative requirements

**Tax returns**
- CIT, MIBT and NWT returns – submission by 31 May of the following fiscal year
- Self-assessment for capital companies (a 5 years statute of limitation)

**Tax payments**
- Annual return if annual turnover exceeds €620,000
- Quarterly returns and annual summary return if annual turnover is between €112,000 and €620,000
- Single annual return if annual turnover is less than €112,000
- Annual simplified return for companies with a nil input VAT deduction right

**Return periods**
- Monthly returns and annual summary return if annual turnover exceeds €620,000
- Quarterly returns and annual summary return if annual turnover is between €112,000 and €620,000
- Single annual return if annual turnover is less than €112,000
- Annual simplified return for companies with a nil input VAT deduction right

**Submission of returns and VAT payments**

**Penalties**
- Failure to pay or late payment: interest charge of 0.6% per month
- Failure to submit tax return or late submission: 10% of tax due and a fine up to a maximum of €239.47

VAT

**Tax rates applicable**
- Goods and services: 17% standard rate
- Management and bookkeeping of securities, supply and marketing printed matter, etc.: 9%
- Gas, electricity, etc.: 3%
- Radio and television broadcasting services, hotels, food products, books, newspapers, etc.: 8%

**Return periods**
- Monthly returns and annual summary return if annual turnover exceeds €620,000
- Quarterly returns and annual summary return if annual turnover is between €112,000 and €620,000
- Single annual return if annual turnover is less than €112,000
- Annual simplified return for companies with a nil input VAT deduction right

**Administrative requirements**

**Type of income** | **Rate** |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>15% of gross dividends (unless parent-subsidiary regime applies, exemption or reduced rate possible with tax treaty countries)</td>
</tr>
<tr>
<td>Interest</td>
<td>0% (except for profit-sharing bonds and debt instruments with remuneration linked to the issuer’s profits)</td>
</tr>
<tr>
<td>Royalties</td>
<td>0% (subject to certain exceptions)</td>
</tr>
<tr>
<td>Liquidation</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Type of return** | **Legal deadline** |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly return</td>
<td>Before 15th of following month</td>
</tr>
<tr>
<td>Quarterly return</td>
<td>Before 15th of month following quarter-end</td>
</tr>
<tr>
<td>Single annual return in a non-simplified regime</td>
<td>Before 1 March following year-end</td>
</tr>
<tr>
<td>Recapitulative annual return</td>
<td>Before 1 May following year-end</td>
</tr>
</tbody>
</table>

**Special tax regimes**
- Flag shipping register
- Pension funds (ASSEP/SEPCAV/PPV)
- Specialised investment fund
- Pension funds (ASSEP/SEPCAV/PPV)
- Specialised investment fund
- SPF (private wealth management company)
- Undertakings for collective Investments

**VAT**

<table>
<thead>
<tr>
<th>Type of return</th>
<th>Legal deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly return</td>
<td>Before 15th of following month</td>
</tr>
<tr>
<td>Quarterly return</td>
<td>Before 15th of month following quarter-end</td>
</tr>
<tr>
<td>Single annual return in a non-simplified regime</td>
<td>Before 1 March following year-end</td>
</tr>
<tr>
<td>Recapitulative annual return</td>
<td>Before 1 May following year-end</td>
</tr>
</tbody>
</table>

**Penalties**
- Failure to pay or late payment: interest charge of 0.6% per month
- Failure to submit tax return or late submission: 10% of tax due and a fine up to a maximum of €239.47
Rates (increased by a 7% surcharge)
- 21% (22.47%)
- 20% (21.4%)

• Exempt income

- Corporate Income Tax (CIT)
- Luxembourg withholding tax if:
  - Dividends distributed by a Luxembourg entity will be exempt from a shareholding will be fully exempt from Luxembourg corporate tax and subject to a tax similar to the Luxembourg CIT

- Exempt incomes due to double tax treaty provisions
  - Luxembourg treaty network usually provides for exemption of dividends, foreign branch and real estate income, etc.

• Exempt of dividends

- An exemption of 10% is granted on the dividend income received from a resident fully taxable capital company, a company falling within the scope of the Parent Subsidiary Directive or a capital company resident of a state, with which the Grand Duchy has a double tax treaty and which is subject to a tax corresponding to the Luxembourg CIT

- Exemption of intellectual property income

- 80% of income resulting from the exploitation of intellectual property rights acquired or established after 31 December, 2007 and 80% of the capital gains arising from such assets are exempt from taxation

• Exempt of capital gains (other than intellectual property income)

- An exemption of 50% is granted on the dividend income received from a non-resident company, which has paid corporate tax of at least 10% and subject to at least 20% corporate tax in the country of origin

• Exempt of interest income

- An exemption of 80% is granted on interest income received from banks in the EU, with which the Grand Duchy has a double tax treaty

• Exempt of financial services

- Exempt of transfers from abroad

- Exempt of transactions with unrelated parties

• Other deductibles

- Directors’ fees
- Non-deductible taxes (CIT, MBT, NWT), etc.
- Expenses in connection with exempt income
- Fines

Tax rate applicable

<table>
<thead>
<tr>
<th>Taxable income (€)</th>
<th>Rates (increased by a 7% surcharge)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 15,000.00</td>
<td>20% (1.4% + 7%)</td>
</tr>
<tr>
<td>&gt; 10,000.00</td>
<td>21% (2.4% + 7%)</td>
</tr>
</tbody>
</table>

Minimum income tax

Such tax will be due when Luxembourg collective entities are in a tax loss position or paying less tax than their Luxembourg income tax. The amount paid will be creditable against future corporate income tax without time limit. This tax applies as follows:

- Collective entities (whether or not they are regulated) that have (i) qualifying holding and financing assets, exceeding 90% of the balance sheet and (ii) a total balance sheet exceeding €515,000, are liable to a minimum flat income tax €2,110 including the unemployment fund contribution
- Other companies are subject to a progressive minimum income tax depending on the total balance sheet exceeding €515,000. Such tax will range from €355 (for a total balance sheet up to €515,000) to €21,400 (for total balance sheet exceeding €2,000,000), including the unemployment fund contribution

Tax reliefs

- Credit for accrued or venture capital investments
- Credit for hiring unemployed individuals
- Credit for investment in continuing professional education
- Incentives for research and development
- Investment tax credits
- Foreign withholding taxes, etc.

Municipal Business Tax (MBT)

Taxable base

MBT taxable income is calculated broadly on the same basis as CIT. The tax base is 3% of the adjusted taxable income. There is an allowance which amounts to €5,000 for entities liable to CIT and €40,000 for other businesses.

Tax rate applicable

The MBT rate changes according to the municipality in which the undertaking is located. The rate for Luxembourg city is 2.25% giving an overall MBT rate of 6.75% (3% x 2.25%)

Effective income tax rate

29.22% including CIT, MBT (for Luxembourg city) and contribution to the unemployment fund

Tax consolidation

Luxembourg resident companies can form a fiscal unity where a company and one or more of its subsidiaries (95% ownership) are integrated financially. The parent company is responsible for paying the consolidated tax liability (CIT and MBT). Luxembourg branches of non-resident companies may head a Luxembourg fiscal unity.

Registration tax

A one-time registration tax of €475 applies for company incorporation, amendments to the bylaws and transfer of the seat of a foreign company to Luxembourg.

Net Worth Tax (NWT)

Taxable base

The unitary value of the company is determined mainly by reference to the net worth of the enterprise. This is based on fair market value of the assets and liabilities adjusted for certain exceptions (e.g. shareholdings qualifying for the participation exemption regime, certain intellectual property assets) and certain special valuations fixed by law (e.g. for buildings).

Tax rate applicable

0.5% of the registration

Reduction in NWT is possible if the taxpayer commits, before the end of the accounting period, to the creation of a reserve (booked in the commercial accounts) to be maintained for at least 5 years. The tax reduction amounts to a fifth of the reserve and can not exceed the amount of CIT liability before imputation of tax credits.

Tax treaty network

Luxembourg has broad tax treaty network including all major industrialized countries, all key financial centers and almost all of the important developing countries. The Grand Duchy has more than 70 treaties in force.

Corporate Income Tax (CIT)