LUXEMBOURG
TRADE & INVEST
EXPAND YOUR BUSINESS

How to set up a business in Luxembourg

INDEX

1. BUSINESS PERMIT

All businesses established in Luxembourg must acquire the necessary governmental permits. Commercial, skilled craft and industrial activities as well as certain liberal professions are subject to a business permit.

COMMERCIAL ACTIVITIES

Business permits are issued by the Ministry of the Economy for regular and lasting activities that fall within the scope of the right of establishment. In order to carry out such activities in Luxembourg, applicants must fulfil certain conditions regarding their qualifications and professional integrity and show that their business has a fixed physical establishment in Luxembourg. The required professional qualifications depend on the nature of the business and range from free access to specific professional qualifications and university degrees.

The most common business permit concerns trade activities (wholesale, retail, provision of commercial services, services which are intellectual in nature, most software activities and industrial activities).

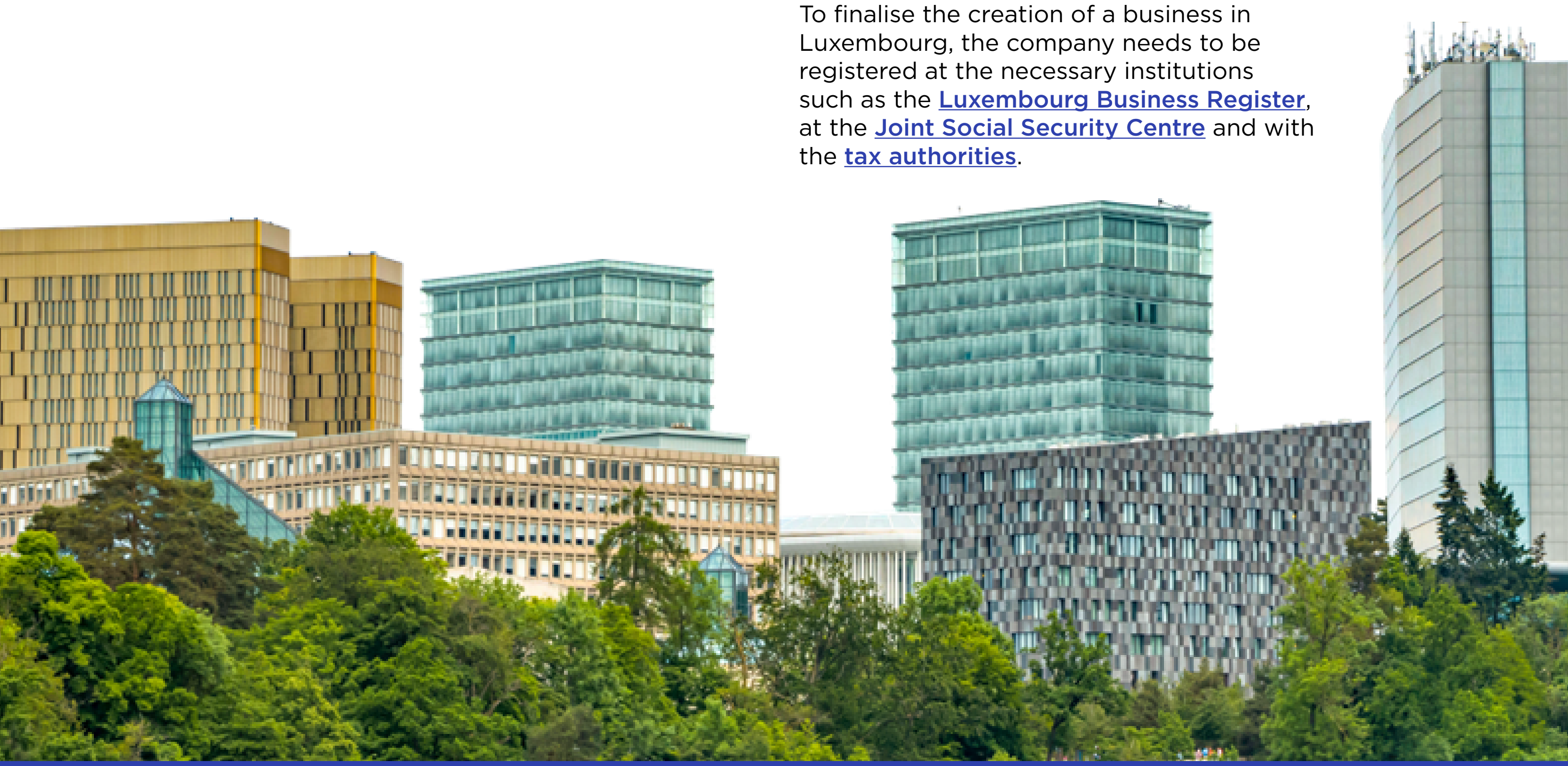
OTHER REGULATED ACTIVITIES

Regulated activities require additional professional qualifications and authorisations. Financial institutions and fintech companies, for instance, are regulated by the CSSF ("Commission de Surveillance du Secteur Financier"). For projects related to financial innovation and its regulatory framework, please refer to Innovation Hub – CSSF.

Companies whose activities can affect workers, people in general and/or the environment require a specific operating permit – commonly referred to as a "commodo/ incommodo" permit.

Other institutions, for example the Ministry of Health and the Luxembourgish Bar, also regulate specific activities.

To finalise the creation of a business in Luxembourg, the company needs to be registered at the necessary institutions such as the Luxembourg Business Register, at the Joint Social Security Centre and with the tax authorities.



2. LEGAL FORM

Whatever the size and nature of their business, it is crucial for entrepreneurs to choose a legal form that suits their activity (sole proprietorship or company).

SOLE PROPRIETORSHIP

Establishing a sole proprietorship (also known as “freelance”) entails setting up a business as a natural person instead of establishing a separate legal entity. It involves more flexibility as well as the least administrative procedures and fees for setting up, but also the highest risk as there is no distinction between the entrepreneur’s private and commercial property.

Over
450 SA
5,200 SARL
1,130 SARL-S
were created in Luxembourg in 2024

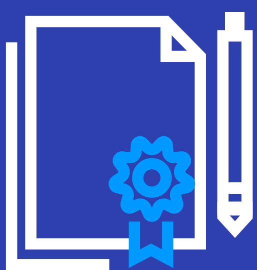
COMPANY

To minimise risk, many entrepreneurs choose to establish a company that clearly separates their personal assets from those of the business. In this case, the partners’ liability is limited to the amount of their contributions. Capital companies also have an impersonal nature and rely chiefly on the capital provided by the partners. The most common forms are the following:

A **Public Limited Company (SA)** is created through the drawing up of a notarised deed. A minimum capital of €30,000 has to be fully subscribed and paid up to 25% (€7,500) at the incorporation. The SA form allows the arrival of new shareholders as well as the access to capital markets.

A **Limited Liability Company (SARL)** also needs to be set up with a notarised deed. A minimum capital of €12,000 has to be fully subscribed and paid at the time of the company constitution. An advantage of the SARL is that initial shareholders are granted a larger control of the ownership of the shares as these cannot be traded freely.

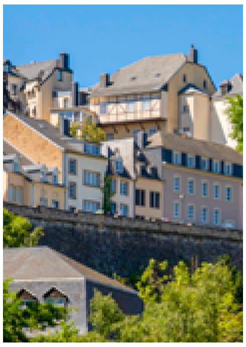
A **Simplified Limited Liability Company (SARL-S)** can only be created by a natural person that holds a business permit from the Ministry of the Economy. The incorporation of the company may be affected by a private deed. A minimum capital of €1 and below €12,000 has to be subscribed and paid up to a 100% at the company creation.



Other company forms exist but are not that frequent. Sole proprietorships and companies have to be registered at the Luxembourg Business Register.

3. IMMIGRATION

Any third-country national (a person who is not an EEA national – i.e. from an EU Member State, Iceland, Norway and Liechtenstein – or a Swiss Confederation national) planning to stay in Luxembourg for a period exceeding three months (90 days) must apply for a temporary authorisation to stay before entering the territory.



RESIDENCE PERMIT

An application for a residence permit must be sent to the Immigration Directorate of the Luxembourg Ministry of Home Affairs. The permit may be requested as an employee, a self-employed person, a student, an intern, a researcher, a family member or for personal reasons.

For stays that do not exceed three months, third-country nationals are not entitled to carry out an activity as an employee or a self-employed person, unless expressly authorised to do so by the Minister. Third-country nationals who wish to set up a business in Luxembourg on a self-employed basis must fulfil various conditions.

HOW DO I APPLY?

Before entering the country, the person concerned must:

1. Submit the application to the Immigration Directorate of the Ministry of Home Affairs
2. Be in possession of a valid passport.
3. The person will then receive a temporary authorisation to stay. Afterwards, the applicant needs to apply for a long-term visa (type D).

After entering the country, the person concerned must:

1. Make a declaration of arrival in the municipality where he/she will be residing
2. Undergo a medical check
3. Submit proof of payment of the administration fee of **€80**.
4. After finalising these steps, the person will receive a letter allowing him or her to pick up the final residence permit.

4. FINANCING AND SUPPORT MEASURES

Companies that establish a sustainable presence in Luxembourg can draw on several financing and support measures that help them expand their activities, develop innovative concepts and products and strengthen their competitiveness.

INVESTMENT AID

Small or medium-sized companies (SMEs) with investment projects whose objective is to promote the creation, development, diversification or fundamental change of their production process, may be eligible for investment aid for SMEs.

YOUNG INNOVATIVE ENTERPRISE MEASURE

A dedicated scheme to young innovative enterprises can co-finance the cash-flow need of a startup during its growth phase by matching equity investments.

R&D AND INNOVATION

Public financial aids can potentially complement the private funding of innovative companies. Subsidies for R&D and innovation projects are granted by the Ministry of the Economy to companies with substantial activities in Luxembourg. R&D and innovation schemes can co-finance the feasibility as well as the research and development of innovative products. Expenses will be reimbursed based on real costs.
Other aids co-finance technical intellectual property protection, external advisory services related to innovation or access to temporary secondment of highly qualified staff.

PHD AND POSTDOCTORAL RESEARCH

The National Research Fund's AFR Grant Scheme ("Aide à la Formation-Recherche") supports PhD and postdoctoral research training projects in Luxembourg and abroad.

5. TAXATION

Companies in Luxembourg are subject to corporate tax and have to apply value added tax (VAT) to their products and services. Individuals are taxed based on their personal situation.

CORPORATE TAX

The corporate income tax amounts to 16% for a company with taxable income exceeding €200,000. An additional charge of 7% is levied on corporate income tax as a contribution to the employment fund. A municipal business tax between 6.75% and 10.5%, depending on the municipality, applies to companies. The overall tax rate for companies located in Luxembourg City amounts up to 23.87%.

Businesses with taxable income lower than €175,000 are subject to corporate income tax at a rate of 14% (plus the 7% contribution to the employment fund). Businesses with taxable income between €175,000 and €200,001 are subject to corporate income tax (plus the 7% contribution to the employment fund) computed as follows: €24,500 plus 30% of the tax base above €175,000.

In addition, a net wealth tax of 0.5% (or 0.05% over €500 million assets) is levied with a minimum lump sum tax ranging from €535 to €4,815 per year.

Various tax incentives are also available, subject to certain conditions:

- qualifying IP assets benefit from an **80%** exemption from income tax;
- tax credits are available for general investments, with an extra deduction for specific investments connected to the digital and ecological transformation up to **18%.**

PERSONAL INCOME TAX RATE

Workers in Luxembourg are granted a tax class based on their personal situation.

Luxembourg's income tax rate for natural persons is one of the lowest in Europe, particularly for married couples or partners. Income tax is based on 23 tax brackets and the highest marginal tax rate amounts to 42% since 2017. The entire tax schedule brackets has been further adjusted as from 2025. The effective tax charge for employees earning the non-qualified minimum social wage is nil.

A modernised impatriate tax regime was introduced in 2025. Eligible employees relocating to Luxembourg will benefit from a straightforward 50% tax exemption on their annual gross remuneration, up to €400,000, with a minimum annual base remuneration of at least €75,000.

To attract young talent, Luxembourg has introduced two new measures as from 2025:

- Young employee bonus foreseeing a 75% tax exemption on bonuses for employees under 30, subject to specific conditions and limits.
- Specific monthly rental allowance partially tax-exempt up to €1,000 for employees under 30, subject to certain income limits.
- Specific profit-sharing scheme rules that Luxembourg companies can provide to employees which are 50% tax exempt under certain conditions.

LUXEMBOURG VAT RATES

The standard VAT rate applicable to the provision of services in Luxembourg is at 17%.
It is the lowest in the European Union.
Companies that are subject to VAT need to make an initial declaration to the Indirect Tax Authority in order to receive a VAT identification number.

6. SOCIAL SECURITY

Luxembourg has a highly developed and efficient social security system that covers a wide range of situations.

SOCIAL SECURITY SYSTEM

Luxembourg's social security system covers the risks of illness, maternity, disability, death, age and insures accidents as in private life as well as in a professional framework.

All companies need to fill in an operating declaration and a declaration of start of employment to the Joint Social Security Centre, which handles the data, registration of affiliations and collection of contributions for the different insurance funds.

They can voluntarily join the Employers' Mutual Insurance Scheme (Mutualité des Employeurs) to meet any financial liabilities resulting from a loss of income due to sickness.

Family members to a self-employed person who depend on the self-employed worker benefit from health insurance are co-insured, on condition that they are not personally registered to the joint social security. The conditions for co-registration under one insurance scheme vary depending on whether the insured person is a Luxembourg resident or not.

SOCIAL SECURITY CONTRIBUTION

The social security contribution accounts for 25% of the gross salary. A contribution of 16% of the gross salary is made to pension insurance. Half of this provision (included in the total social security contribution) is covered by the employer, while the other half is deducted directly from the salary of the employee.

7. SETTLING DOWN

Luxembourg is an attractive place to live and offers an excellent work-life balance. Short commutes enable you to maintain a healthy and well-balanced family and social life.

FINDING ACCOMMODATION

A range of sources are available that provide you with information regarding the real estate market. The portal of Luxembourg's housing observatory provides information on property prices according to location, both for renting and buying. Numerous websites, real estate agencies and relocation agencies can help you find the right property.

RELOCATION AGENCIES

Relocation agencies can assist you with administrative procedures and offer personalised assistance to expatriates moving to Luxembourg. Their multilingual teams provide logistical support making settling down in Luxembourg as easy as possible.

A HOME FOR YOUR BUSINESS

In Luxembourg, there are many private office solutions for your company. Plots of land and customised buildings are available for companies in industrial zones and business parks.

Several public and private business incubators provide office space. Most of them focus on sector-specific activities as well as on innovation and technology. In order to be incubated, companies need to follow an application procedure that generally involves the submission of a business plan, interviews and a final committee selection.

8. EDUCATION

Luxembourg's offer in terms of schooling constantly grows all over the country in order to welcome more international pupils and students. School attendance is compulsory between the ages of 4 and 16 years and includes a minimum of twelve years, divided between primary and secondary school.

CHILDCARE AND KINDERGARTEN

Childcare is affordable and multilingual with currently over 800 public and private nurseries in Luxembourg. 20 hours of day care per week and per child are free of charge. The first two years of compulsory education for children aged 4 to 6 take place in Kindergarten (the so-called "Spillschoul").

PRIMARY SCHOOL

All children aged 6 by 1st September of the year in question must start primary school education. Children are directly introduced to German and start with French during the second year. English is only introduced in the secondary education.

Some schools offer primary education in English. Alternatives to public education are offered by several private and international establishments, and some of them offer tuition in English right from the start.

SECONDARY SCHOOL

Due to Luxembourg's uniquely international labour force, a diversified and long-established offer is available in public (free of charge) and private schools. In addition to the regular Luxembourgish schooling system, many international schools offer tuition in English and French.

HIGHER EDUCATION

Founded in 2003, the University of Luxembourg is highly multilingual, international and research oriented. It has three faculties and three interdisciplinary centres.

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For further information, please contact:
House of Entrepreneurship
E-mail: info@houseofentrepreneurship.lu
Phone: +352 42 39 39 330

luxembourgtradeandinvest.com
houseofentrepreneurship.lu
guichet.lu