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**COUNTRY
REPORT**

Luxembourg



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1. General information: Grand Duchy of Luxembourg

Geography

- Luxembourg (French: Luxembourg; German: Luxemburg), officially the Grand Duchy of Luxembourg, is a small landlocked country in Western Europe. It borders Belgium to the west and north, Germany to the east, and France to the south. Its capital and most populous city, Luxembourg is one of the four institutional seats of the European Union (together with Brussels, Frankfurt, and Strasbourg) and the seat of several EU institutions, notably the Court of Justice of the European Union, the highest judicial authority. Luxembourg's culture, people, and languages are highly intertwined with its French and German neighbors, while Luxembourgish is legally the only national language of the Luxembourgish people, French and German are also used in administrative and judicial matters and all three are considered administrative languages of the country.
- With an area of 2,586 square kilometers (998 sq mi), Luxembourg is one of the smallest countries in Europe, and the smallest not considered a microstate. In 2022, it had a population of 645,397, which makes it one of the least-populated countries in Europe, albeit with the highest population growth rate, foreigners account for nearly half the population. Luxembourg is a representative democracy headed by a constitutional monarch, Grand Duke Henri, making it the world's only remaining sovereign grand duchy.
- Capital city: Luxembourg

Population

- Total Population: 645,397 million (2022), (2023 est.) 661,700
- Population growth annua: 1.5%
- Luxembourg population is equivalent to 0.01% of the total world population
- Median age: 39,7 years
- Density: 242 per Km2 (626 people per mi2)
- Urban Population: 88.2 % of the population is urban (552,328 people in 2020)
- Population of main cities: Luxembourg (76,684), Esch-sur-Alzette (28,228), Dudelange (18,013)

Ethnic Origins: 50.9% Luxembourgers, 18.2% Portuguese, 13.5% French, 10.3% Germans, 7.1% Other

Religion: 73.2% Christianity, 63.8% Catholicism, 9.4% Other Christian, 23.4% No religion, 3.2% Other

Language

- Official Language: Luxembourgish
- Business Language(s): Luxembourgish, French, German

Government

- Type: Unitary parliamentary constitutional monarchy
- Grand Duke: Henri
- Prime Minister: Xavier Bettel
- Co-Deputy Prime Ministers: François Bausch, Paulette Lenert

Currency: National Currency: Euro (€) (EUR)

Overview

Luxembourg's economy is largely based on heavy industry and international trade and banking, and its per capita income is among the highest in the world. It is a constitutional monarchy with one legislative body; its head of state is the grand duke, and the head of government is the prime minister. At the time of Roman conquest (53 BCE), the area was inhabited by two Belgic tribes, the Treveri and the Mediomatrici. After 400 CE Germanic tribes invaded the region. It later came into Charlemagne's empire. Made a duchy in 1354, it was ceded to the house of Burgundy in 1443 and to the Habsburgs in 1477. In the mid-16th century it became part of the Spanish Netherlands. The Congress of Vienna in 1815 made it a grand duchy and awarded it to the Netherlands. After an uprising in 1830, its western portion became part of Belgium, while the remainder was held by the Netherlands. In 1867 the European powers guaranteed the neutrality and independence of Luxembourg.

In the late 19th century it built a great steel industry by exploiting its extensive iron ore deposits. It was invaded and occupied by Germany in both World Wars. Following World War II, it abandoned its neutrality by joining NATO in 1949. It joined the Benelux Economic Union in 1944 and the European Coal and Steel Community, a forerunner of the European Economic Community, in 1952. Luxembourg ratified the Maastricht Treaty on European Union in 1992 and adopted the euro as its official monetary unit in 1999.

2. Economy

2.1. Economic and Political Overview

Luxembourg's economy is characterised by its fiscal system and a high degree of international openness. The financial sector is the main driving force behind the Grand Duchy's economy, representing about one-third of the country's GDP, making the country vulnerable to external shocks. After contracting following the outbreak of the COVID-19 pandemic, Luxembourg's GDP returned to growth in 2021 (+5.5% according to the IMF), supported by private consumption and investment, as well as by the strong performance of the external sector. Assuming a normalization of the global sanitary and economic conjuncture, the IMF forecasts growth at 3% in 2023.

Luxembourg recovered quickly from the COVID-19 pandemic thanks to extensive policy support. However, the impact of the war in Ukraine is exacerbating inflationary pressures, alongside labour market shortages. This highlights the importance of boosting the resilience of the Luxembourgish economy. Longer-term fiscal sustainability challenges should be addressed by improving the efficiency of public spending through regular spending reviews, limiting early exit from the labour market and undertaking much-needed pension reform. Removing disincentives to work and strengthening the effectiveness of active labour market policies, in particular for older workers and disadvantaged youth, would boost employment and lower skill mismatches. Digital skills need to improve and life-long learning should be strengthened. Increasing private R&D spending, improving diffusion of digitalisation, especially for small firms, and reducing the regulatory burden would support productivity growth and economic diversification. Reaching the climate objective of

net zero emissions by 2050 will require bold policy action, requiring a clear carbon pricing path and adjustments to urbanisation and transport policies.

Real GDP growth is projected to slow down to growth rates of, 1% in 2023 and 2.4% in 2024, affected by weaker domestic and external demand, and high uncertainty surrounding consumers and investors' behaviour. Headline inflation forecast to decelerate to 3.8% in 2023 and further to 3.1% in 2024. The new measures to mitigate the impact of high energy prices and the economic slowdown will weigh on the general government balance, especially in 2023.

Resulting deficits are projected to increase the general government debt-to-GDP ratio, although still at a low level.

The war in Ukraine will weigh on consumer confidence and consumption but investment, including residential construction, will support growth alongside government spending. Employment and wage growth will remain robust. Rising prices of intermediary goods will push up core inflation. Downside risks include a prolonged war or lingering high inflation, eroding confidence.

Table 1: (Luxembourg- Economic Forecasts - 2021-2023 Outlook)

Main Indicators	2020	2021	2022 (e)	2023 (e)	2024 (e)
GDP (billions USD)	73.29e	86.77	82.15	84.03	89.14
GDP (Constant Prices, Annual % Change)	-1.8e	6.9	1.6	1.1	2.5
GDP per Capita (USD)	117e	136	127	128	134
General Government Balance (in % of GDP)	-2.0	0.7	-0.7	-0.1	-0.2
General Government Gross Debt (in % of GDP)	24.8	24.3	25.4	25.8	26.0
Inflation Rate (%)	0.0	3.5e	8.4	3.7	2.3
Unemployment Rate (% of the Labour Force)	6.4	5.7e	5.0	5.0	5.0
Current Account (billions USD)	3.02	4.14	3.50	3.68	4.00
Current Account (in % of GDP)	4.1	4.8	4.3	4.4	4.5

Source: IMF – World Economic Outlook Database, October 2021

2.3. SWOT Analysis

Strengths

- Strong financial hub with a solid banking system and the second largest investment fund industry in the world
- Business-friendly environment with transparent and robust institutions and modern infrastructure, facilitating easy access for FDI
- Competitive tax regime favorable for foreign investors and the financial sector
- Strong reputation as a sophisticated financial regulator state
- Very low public debt and fiscal balance in surplus
- High productivity levels and a well-educated, multilingual workforce

Weaknesses

- Potential vulnerabilities considering the structure of the financial system and the high dependency of the economy on the banking sector
- Highest corporate debt stock in the Eurozone (320% of GDP)
- Small open economy (export and import volumes are twice the size of GDP)
- Intense dependence on cross-border workers and high cost of labor
- Substantial room for improvement regarding access to post-secondary education

2.4. Structure of the Economy

The government has been aiming at economic diversification for a few years and has been encouraging the development of sectors such as communication and information technologies, logistics, e-commerce and biotechnologies. The number of foreign citizens in the labour market outweighs the number of Luxembourgish nationals.

The agricultural sector is almost non-existent, as the country's arable land is limited to 61,860 hectares. It contributes only 0.2% to the GDP and employs around 0.7% of the active population (World Bank, latest data available). The country's main crops are wine, wood, cereals and potatoes. According to data from Eurostat, Luxembourg's overall agricultural output (EUR 404 million) accounts for only 0.1% of total EU output.

The industrial sector (10.7% of the GDP and 10.8% of the active population), has historically been dominated by the production of iron and steel. Numerous industrial sites of the mining district in Southern Luxembourg gave its development and its wealth to the country. In recent years, this sector has been diversified with the addition of chemical factories, plastic products and light engineering. Nowadays, the manufacturing sector represents only 4.6% of GDP (World Bank).

With the oil shock of 1973 and the crisis which followed, the Luxembourg economy turned to the development of a services economy like most developed countries. The tertiary sector (employing 88.5% of the active population) represents nearly 80.1% of the national wealth, with more than half of it attributed exclusively to financial and real estate services. Luxembourg is one of the world's largest money markets and the second-largest investment fund manager in the world. The financial sector is the economic engine of the country, representing around a third of GDP, 10% of employment and contributing 13.7% of fiscal revenues in 2020. It is the main centre of private banks in the Eurozone and home to many reinsurance companies. The Grand Duchy has sought to diversify its economy, currently over-dependent on the financial sector: it is trying to develop its assets to position itself as a centre for media and new information and communication technologies and to attract companies providing electronic services, including e-commerce. Nowadays, trade, transport, hotels and gastronomy sectors combined are the main employers (almost double the employees of the finance and insurance sectors).

Table 2: Breakdown of Economic Activity By Sector

Breakdown of Economic Activity By Sector	Agriculture	Industry	Services
Employment By Sector (in % of Total Employment)	0.7	10.8	88.5
Value Added (in % of GDP)	0.2	10.7	80.1
Value Added (Annual % Change)	0.2	-4.8	-0.1

Source: World Bank, Latest available data (2022)

2.5. Investment

Luxembourg offers a business climate favourable to foreign investment, with a very attractive tax system. According to UNCTAD's 2021 World Investment Report, FDI inflows stood at USD 62.1 billion in 2020, up from USD 14.8 billion a year earlier, despite the global economic crisis triggered by the Covid-19 pandemic. This is a sharp increase that has made the country the sixth-largest global recipient in terms of FDI inflows, gaining 19 places since last year. In 2020, the total stock of FDI stood at USD 627 billion. According to figures from OECD, half of FDIs received by Luxembourg come from the countries of the European Union, although the main investor is Bermuda (13.5%), followed by the UK (13.1%), Ireland (12.1%) and the Netherlands (9.3%). In terms of sectors, financial and insurance activities attract more than four-fifths of all investments (81.6%), with manufacturing accounting for only 2.8%. Luxembourg is also the world's second-largest investor, behind China, with as much as USD 127 billion invested in 2020, compared to USD 34 billion in 2019. According to the latest figures from OECD, in the first six months of 2021 FDI inflows to Luxembourg stood at only USD 2 billion, compared to 52.3 USD billion in the same period one year earlier.

According to the World Economic Forum (WEF), the country ranks 18th on the 2020 Global Competitiveness Index. The government of Luxembourg has established some measures in order to make the country even more attractive to FDI, such as fiscal benefits, equipment and construction projects. The government focused on key innovative industries like logistics, ICT, health technologies, including biotechnology and biomedical research; clean energy technologies; space technology and financial services technologies. The country has long been considered a tax haven, though in recent years it has taken steps related to the process of harmonisation of financial standards both within the EU and at the international level. Furthermore, the "Multilateral Convention to Implement Tax Treaty Related Measures To Prevent Base Erosion and Profit Shifting" - which aims at combating tax avoidance by multinational companies - entered into force for Luxembourg in 2019. In 2021, the bill of law n°7885 introduced a mandatory notification and pre-approval requirement for certain foreign direct investments made by non-EEA investors in a local entity operating in a sensitive sector in the territory of Luxembourg (e.g. transport, telecommunications services, electricity generation and distribution, gas conditioning and distribution, the treatment and distribution of water, healthcare activities, technologies relating to artificial intelligence, infrastructure and systems for the exchange, payment and settlement of financial instruments). Finally, the country

ranks 72nd out of 190 economies in the World Bank's latest Doing Business report (losing six positions compared to the previous edition).

Table 3: Foreign Direct Investment - UNCTAD, 2022

Foreign Direct Investment	2019	2020	2021
FDI Inward Flow (million USD)	12,801	102,269	-9,054
FDI Stock (million USD)	192,286	1,104,567	1,013,915
Number of Greenfield Investments*	36	25	32
Value of Greenfield Investments (million USD)	446	617	552

Source: UNCTAD, Latest available data

Strong points for FDI in Luxembourg:

Luxembourg has many attractive assets for investors on its soil. Here are the main ones:

- One of the most open economies in the world, with few foreign exchange controls and foreign capital flowing freely, allowing the country to have an undisputed pro-business environment
- The country is a global finance hub with a strong and broad banking sector (126 banks listed in 2021 - Central Bank of Luxembourg) and a thriving investment fund industry.
- A very attractive tax system that provides the country with solid and consistent income
- One of the lowest public debts in the European Union
- Extremely developed transport infrastructure connecting the country to major cities and foreign capitals (motorways, air and trains)
- A highly skilled multilingual workforce with significant purchasing power
- Outstanding quality of the digital infrastructure (Luxembourg has the highest concentration of Tier IV data centres in Europe and ranks 3rd in the EU for connectivity - 2020 Digital Economy and Society Index)

Weaknesses for FDI in Luxembourg include:

The main obstacles to investment in Luxembourg are:

- A weakly diversified economy and extremely dependent on its banking and financial sector
- An employment market dependent on "frontier" workers, resulting from a small and ageing Luxembourg working population
- The long-term budgetary impact of the ageing of the population and the necessary reforms of the country's pension system

Government Measures to Motivate or Restrict FDI:

The Luxembourg government has taken measures to encourage the establishment of businesses on its soil:

- Subsidies granted to SMEs (retail, restaurant or hotel) through the National Society for Investment Credit (SNCI)

- Community income tax and business tax exemption of 25% for eight years for start-up businesses
- Commercial licenses granted faster and more transparently
- Measures were put in place to protect minority investors in order to facilitate their ability to resolve commercial damages in court and to facilitate access to the key information about the companies in which they invest

In general, Luxembourg's tax legislation provides various incentives in the following areas: investment tax credit, risk capital, tax incentives for research and development (R&D) and intellectual property (IP), recruitment of the unemployed, audiovisual activities, vocational training.

2.6. Taxation

Company Tax:

Tax Rate for Foreign Companies. Resident entities are taxed on their worldwide income, whereas non-residents are only subject to tax on Luxembourg-source income. Luxembourg branches are taxed in the same way as companies.

Capital Gains Taxation: Capital gains and losses are treated as ordinary income and are subject to corporate tax. The taxation of gains on certain fixed assets could be deferred where the proceeds are used to acquire replacement items. Capital gains from the sale of shares may be exempt from tax if the payee maintains or undertakes to maintain their participation, directly or indirectly, for an uninterrupted period of at least 12 months and that the participation does not fall below 10% or a purchase price of EUR 6 million during this period.

Main Allowable Deductions and Tax Credits: Depreciation of tangible and intangible assets is tax-deductible. Goodwill can be amortised over its useful life, or if it cannot be measured otherwise, the amortisation period is limited to ten years.

Start-up expenses can be charged directly to the profit and loss account of the year in which they are incurred, or amortised over a period of five years.

Interest charges are deductible as long as they are consistent with the arm's-length principle. Bad debts are generally deductible.

Donations to charitable organisations are deductible up to 20% of net income or EUR 1 million (the minimum amount being EUR 120). The excess amount of donation can be deducted over two years.

Compensation payments and severance pay are deductible up to EUR 300,000.

Fines and penalties are not deductible. Taxes, with the exception of corporation tax, municipal tax and wealth tax are generally deductible.

Tax losses incurred through the years ending on 31 December 2016 may be carried forward indefinitely. Losses incurred after this date may be carried forward up to 17 years. The carryback of losses is not permitted.

Payments to foreign subsidiaries (royalties, management fees, interest paid by a Luxembourg company to foreign subsidiaries) are deductible as long as they respect the arm's-length principle. Interest or royalties due to related parties as of 1 March

2021 are not tax deductible if their recipients are corporate entities established in countries that are considered 'non-cooperative' for tax purposes (limitations apply).

Other Corporate Taxes: Luxembourg resident companies and subsidiaries of foreign companies are subject to wealth tax. The rate is 0.5% for a taxable base up to EUR 500 million. For a taxable base exceeding EUR 500 million, companies are required to pay a lump-sum fee of EUR 2.5 million and 0.05% of the tax base in excess of EUR 500 million, without any limit. Companies with their head office or central office of administration in Luxembourg are subject to the minimum wealth tax (with amounts varying between EUR 535 and EUR 32,100 according to the total gross assets).

A subscription tax is levied on transferable securities (a registration fee that would give rise to the transfer of securities). The rate is 0.05% for mutual funds based on net assets at the end of the quarter. The rate is reduced to 0.01% for specialised investment funds and reserved alternative investment funds. Graduated rate reductions apply for funds that invest in "sustainable" investments.

Certain deeds (establishment, amendment of the articles of association, transfer of seat to Luxembourg) give rise to a lump-sum registration fee of EUR 75. A proportional fee is also payable if the deed involves a contribution of immovable property or a contribution of movable assets against payment.

The sale or transfer of real estate is subject to a registration fee of 7%. A municipal surcharge of 3% applies to real estate transfers in the City of Luxembourg.

The contribution of real estate in exchange for securities is subject to a registration fee of 1.1%. A municipal surcharge of 0.3% applies to real estate transfers in the City of Luxembourg.

An annual real estate tax is levied by municipalities at rates varying between 0.7% and 1% of the unitary value of the property (and is multiplied by a coefficient based on the type of property and municipality - the coefficient is 750% for commercial property in Luxembourg City).

As of 2021, a new Real Estate Levy ("prélèvement immobilier") applies to certain investment fund vehicles, at a rate of 20%.

The municipal business tax on income is levied at rates between 6.75% and 10.5%, depending on the municipality (calculated from the multiplication of the tax base by the municipal rate).

The rates of social security contributions paid by the employer vary between 12.29% and 14.92% and are capped at an annual ceiling of EUR 135,417.24 for 2022.

3. Buying and Selling

3.1. Marketing opportunities

Consumer Profile: With a GDP per capita of USD 131,780 (IMF, 2021), Luxembourgers are the wealthiest consumers in the world. Nonetheless, the growth in economic activity has slowed down in recent years and the gap between Luxembourgian and European consumers has narrowed. The former remains by far the biggest spender in the EU, however, consumption increases at a slower rate than in the rest of the Union: the Luxembourgian spent on average 35% more than their

European counterpart in 2019 as opposed to 40% more in 2014 (Eurostat, latest data available).

The Luxembourgian population is more dynamic than the EU average as many European citizens immigrate to the country to enjoy high living standards and income levels. The median age is 39.5 years (EU average 43.9 years) (Eurostat, 2020) and the population growth rate rose to 1.94% in 2019 (EU average 0.16%) (World Bank, latest data available).

Consumer Behaviour: Luxembourgian consumer attaches great importance to product quality, which is a determining factor for purchase, ahead of seller's quality of service and price. They also value the brand's reputation and the ergonomic design of durable consumer products. Nonetheless, they are sensitive to promotional offers when it comes to products of daily consumption.

The consumer confidence index, which is traditionally high, had been on the decline since early 2018 as households' expectations about the general economic situation in Luxembourg had deteriorated. However, ever since mid-2020 it started increasing again. The Luxembourgian consumer has shown less interest in e-commerce than their neighbours as the share of online shopping in enterprises' turnover stood at 15% in 2020, as opposed to 31% in Belgium, 44% in Ireland and 23% in France (Eurostat). Nevertheless, the Government Council of Luxembourg has decided to launch a nationwide online shopping platform to encourage local wholesalers that do not engage in any e-commerce activity to go online.

3.2. Internet and Ecommerce

Internet access: Luxembourg has one of the highest internet penetration rates in the world, at 95.2% (also thanks to the small population of around 576,000 people). The Grand Duchy is above the average of the developed countries in terms of access to smartphones (91% compared to 80% of developed countries, Deloitte). Luxembourg ranks 5th out of the 28 EU Member States in the Digital Economy and Society Index (DESI) 2018 published by the European Commission. According to the latest data available, in 2016 93% of individuals in Luxembourg accessed the internet daily, 97% weekly, and 1% less than once a week (Statista). The most popular web search engines in Luxembourg are Google (93.9%), Bing (3.5%) and Yahoo (0.9%), followed by DuckDuckGo and Yandex RU with lower shares.

E-commerce market: According to the latest data available, e-commerce sales in Luxembourg reached EUR 600 million in 2015 (E-Commerce Europe). Eurostat data shows that in 2017 the share of enterprises' turnover on e-commerce in Luxembourg was at 14% (below the EU average, at 18%), while figures from the government show that only 9% of Luxembourg businesses currently have an e-commerce website. The number of individuals having ordered/bought goods or services for private use over the internet in the previous three months in Luxembourg was 69%, higher than the 48% EU average (Eurostat). In total, 79% of all online purchases from Luxembourg were cross-border operations in 2017, a rate which is easily explained by the small dimensions of the Grand Duchy (E-Commerce Europe). In November 2017 the Ministry of Economy launched the platform LetzShop.lu, where local shops can showcase their products online and sell them directly via the internet. Individuals in Luxembourg who carry out online

transactions often use online banking (79% in 2017, against a EU average of 61%) and 82 % shop online (EU average at 68%, DESI 2018). People in Luxembourg participate in social networks more than the EU average (70% compared with 65% on average in the EU), though no reliable figures in terms of social media users are available.

3.3. Distribution: Evolution of the SectorLuxembourg City is Benelux's fourth most attractive location for international and national retailers. The city benefits from a broad consumer base and strong retailer demand. Luxembourg City has a central location in the country and is relatively dense: the city contains approximately 20% of the country's inhabitants on 2% of its territory. More than two-thirds of the city's inhabitants are foreign, mainly originating from other countries of the European Union. This is a consequence of the presence of a number of European institutions. Luxembourg has, by far, the highest gross domestic product per capita (in purchasing power standards) in the European Union, as well as the highest actual individual consumption. Luxembourg's high spending power makes it attractive for luxury and premium retailers.

The main shopping zone in the city centre is along Grand- Rue and its adjoining streets, including Avenue de la Porte- Neuve, Rue des Capucins and Place d'Armes. A large variety of mainstream and premium brands are located in the area, with drivers such as H&M, Zara, Massimo Dutti, Jack & Jones and Tommy Hilfiger. The city centre also houses a luxury cluster on Rue Philippe II, where haute couture houses such as Cartier, Chanel and newcomer Dior are located, and which will extend in the future towards the soon-to-open Royal-Hamilius shopping centre. The prime retail zone of the city is located within walking distance of the old city centre and close to office areas. This prime catchment area of the country, and the wider region, includes a small luxury cluster that may extend in the future towards the Royal-Hamilius project. This is part of the international expansion programme of the Hudson's Bay Company, a Canadian retail business group that recently acquired Galeria Inno. Another prime retail zone near the central train station boasts high footfall and is where many international mainstream brands can be found. The central commercial zone will experience a wave of expansion with the opening of two large shopping centres, the first of which will be located within the Royal-Hamilius development. However, the COVID-19 crisis has delayed the delivery of the Royal-Hamilius shopping centre. The second mall is the Cloche d'Or shopping centre (75,000 m²) in the south of the city, which will offer 120 retail units as well as an Auchan hypermarket.

Four companies are currently controlling the large-scale distribution market: Cactus, a Luxembourger company, the Louis Delhaise group, the second largest actor, the Monopol group and the Auchan group. This sector profits from the high consumer spending of households, which is among the highest in the world (per capita consumer spending is for example 70% higher than that of their Belgian and Dutch neighbors).

Market share: The revenue in the Food & Beverages segment is projected to reach US\$51m in 2021. It is expected to show an annual growth rate (CAGR

2021-2025) of 3.09%, resulting in a projected market volume of US\$58m by 2025. (Statistica) The mass retail in Luxembourg is dominated by 4 major groups:

- the Luxembourgish [Cactus](#) is the leader in the distribution sector in Luxembourg and owns the following brands: Cactus Supermarché, Cactus Marché, Cactus Shoppi and Cactus Hobbi.
- the [Louis Delhaize Group](#), which is the 2nd largest player in the country's mass retail. It includes brands such as [Cora](#).
- the [Auchan group](#), with 1 hypermarket and four drive-through supermarkets.
- German discount supermarket chains [Aldi](#) and [Lidl](#).

These groups share a market of 626,100 inhabitants. (National Institute of Statistics and Economic Studies of the Grand Duchy of Luxembourg, 2020)

3.4. Customs

International Conventions: Party of the International Coffee Agreement 2007

International Economic Cooperation: Member of the European Union, WTO, OCDE

Non-Tariff: In accordance with its European Union membership, Luxembourg applies the European Union (EU) rules that are in force in all European Union countries. While the EU has a rather liberal foreign trade policy, there is a certain number of restrictions, especially on farm products, following the implementation of the CAP (Common Agricultural Policy): the application of compensations on import and export of farm products, aimed at favoring the development of agriculture within the EU, implies a certain number of control and regulation systems for the goods entering the EU territory. Moreover, for sanitary reasons, regarding Genetically Modified Organisms (after being allowed in the European territory), their presence should be systematically specified on packaging. Beef cattle bred on hormones is also forbidden to import. The BSE crisis (often called the "mad cow disease") urged the European Authorities to strengthen the phytosanitary measures to make sure of the quality of meats entering and circulating in the EU territory. The principle of precaution is now widespread: in case of doubt, the import is prohibited until proof is made of the non-harmfulness of products. See the conditions of importing fresh meat.

Customs Duties and Taxes on Imports: Customs duty for non-EU member countries is usually rather low (around 4.2% on average). There are however three sectors and product categories which are subjected to a special higher tariffication, such as the clothing sector, fabrics and agro alimentary products (around 17.3%).

Customs Classification: Customs duty tariffs are calculated Ad Valorem based on their CIF value, in compliance with the Common Customs Tariff (CCT). In order to get exhaustive regulations and customs tariffs rates regarding their products, exporters shall refer to the TARIC code and its database, which includes all applicable customs duties and customs trade policy measures for all the goods.

Import Procedures: As part of the "SAFE" standards set forth by the World Customs Organization (WCO), the European Union has set up a new system of import controls, the "Import Control System" (ICS), which aims to secure the flow

of goods at the time of their entry into the customs territory of the EU. This control system, part of the Community Programme eCustom, has been in effect since January 1, 2011. Since then, operators are required to pass an Entry Summary Declaration (ENS) to the customs of the country of entry, prior to the introduction of goods into the customs territory of the European Union.

The official model for written declarations to customs is the Single Administrative Document (SAD). The SAD describes goods and their movement around the world and is essential for trade outside the EU, or of non-EU goods. Goods brought into the EU customs territory are, from the time of their entry, subject to customs supervision until customs formalities are completed.

Since July 1, 2009, all companies established outside of the EU are required to have an EORI number if they wish to lodge a customs declaration or an Entry/Exit Summary declaration.

The TARIC (Tarif Intégré de la Communauté), is available to help determine if a license is required for a particular product. Moreover, the European Commission maintains an export helpdesk with information on import restrictions of various products.

3.5. Transport

Main Useful Means of Transport: Luxembourg has an excellent road infrastructure. Air transportation is also facilitated by the presence of a specialized airline company, Cargolux, one of the greatest exclusively cargo companies in Europe. Finally, merchandise transportation by rail is in full development. In 2007, the first long distance plain rail highway began to operate, connecting Perpignan (France) and Luxembourg. Conceived as an alternative to road transport, it allows road transporters to transport by train, without neither tractors nor drivers, overnight 40 tractor trailers, which equals cca 30,000 tractor trailers per year.

Ports: Port of Mertert

Airports: Aviation Administration, The Luxembourg Airport

3.6. Suppliers

Type of Production: The plastic/rubber branch represents 13% of the industrial production's added value (fabrication of Good Year Tires). Chemical industry has increased its part in the sector's total production (7%) since the arrival of the TDK Recording Media Europe S.A. company. The steel industry still represents a large share, thanks to the presence of the world giant, Arcelor-Mittal. Finally, Luxembourg also produces numerous non-metal mineral products (glass industry, porcelain production and cement production, concrete and concrete parts production...) which represent around 8% of the industrial production's added value.

Multi-sector Directories:

- Allo Luxembourg - Luxembourg business directory
- Angloinfo - Luxembourg business directory
- Editus.lu - Luxembourg business directory
- Fedil - Directory of companies in Luxembourg.
- Répertoire 2018 des entreprises luxembourgeoises - Luxembourg business directory

- Yellow Pages Luxembourg - Luxembourg business directory

4. International Trade (doing business)

4.4. Imports - Exports

Due to its small size and its location, Luxembourg is very open to foreign trade, which represented 390.3% of its GDP in 2020 (the highest level in the world - World Bank). The country mainly exports commercial services, especially those related to finance. Concerning merchandise, the main exports are angles, shapes and sections of iron or non-alloy steel, motor cars, tyres, and sheet piling of iron or steel, whereas imports are led by cars, petroleum oils, ferrous waste and scrap, and medicaments (Comtrade, latest data available).

Luxembourg is very dependent on its EU partners: almost 80% of total imports of goods came from other member states, and trade activities with its three neighbouring countries represented more than 50%. Its main customers are Germany (26%), France (16.3%) and Belgium (12.4%); the main suppliers being Belgium, Germany and France, which account for 24.3%, 24.1% and 10.7% of total imports, respectively. Luxembourg is trying to diversify its exports outside the European Union, and the country currently has significant trade relations with Asian and Middle Eastern nations.

Luxembourg has an overall positive trade balance, estimated at 33% of its GDP by the World Bank (the highest ratio in the world in 2020), while the trade balance of goods is structurally negative. According to preliminary data from the Banque centrale du Luxembourg, in the first half of 2021, the current account showed a surplus of EUR 937 million, a decrease of EUR 2,805 million vis-à-vis the same period of the previous year. Both exports and imports of goods showed significant increases of around 11% and 15% respectively. As for services, exports increased by 10% and imports by 11%.

Table 4: Luxembourg's Foreign Trade Indicators

Foreign Trade Indicators	2016	2017	2018	2019	2020
Foreign Trade (in % of GDP)	390.7	400.1	387.1	381.5	390.3
Trade Balance (million USD)	-2,285	-1,926	-2,083	-1,234	2,778
Trade Balance (Including Service) (million USD)	22,717	23,448	25,833	25,304	26,985
Imports of Goods and Services (Annual % Change)	1.6	0.6	-0.3	0.9	2.1
Exports of Goods and Services (Annual % Change)	2.6	0.7	0.5	0.8	2.5
Imports of Goods and Services (in % of GDP)	177.6	182.5	175.5	172.8	175.8
Exports of Goods and Services (in % of GDP)	213.0	217.6	211.6	208.8	214.5

Source: World Bank; Latest available data (2021)

Table 5: Luxembourg's Foreign Trade Values

Foreign Trade Values	2017	2018	2019	2020	2021
Imports of Goods (million USD)	22,873	24,175	24,264	20,929	25,811
Exports of Goods (million USD)	15,752	16,412	16,451	13,803	16,623
Imports of Services (million USD)	78,401	84,437	89,302	86,467	110,508
Exports of Services (million USD)	102,173	110,507	112,724	110,215	140,047

Source: World Bank; Latest available data (2021)

Table 6: Luxembourg's Foreign Trade Forecasts

Foreign Trade Forecasts	2022	2023 (e)	2024 (e)	2025 (e)	2026 (e)
Volume of exports of goods and services (Annual % change)	-0.1	0.8	3.4	2.8	2.5
Volume of imports of goods and services (Annual % change)	0.4	1.0	3.5	2.9	2.5

Source: IMF, World Economic Outlook; Latest available data (2021)

4.5. Greece – Luxembourg Trade Relations

In 2022 (January to November) Greek exports showed an immense increase due to mineral fuels. The exports for the 11 months reached €164M, when for the whole 2021 they were only €29M, with main exporting category the 'Machinery and transport equipment'.

Imports from Luxembourg reached €128M, slightly increased compared to 2021. The main importing category for 2022 was also the mineral fuels, while for 2020 and 2021 was the chemicals.

Table 7: Value of Greek Imports from Luxembourg (Eurostat, 2022)

IMPORTS - Value in Euro (€)	2020	2021	2022(1-11)
Food and Live Animals	4.354.649	4.174.922	5.212.157
Beverages and Tobacco	15.494	12.844	54.534
Crude Materials, Inedible, Except fuels	1.185.489	481.330	453.437
Mineral Fuels, Lubricants and Related Materials	838.860	4.570.408	55.472.492
Animal and Vegetable, Oils, Fats and Waxes			906
Chemical and Related Products, N.E.S.	24.274.097	39.971.051	12.263.469
Manufactured Goods Classified Chiefly by Material	12.134.811	14.838.599	20.180.640
Machinery and Transport Equipment	8.960.620	8.932.231	10.398.771
Miscellaneous Manufactured Articles	17.858.040	18.163.094	12.699.553

Commodities and Transactions not Classified Elsewhere in the SITC	1.905.379	8.089.733	11.305.145
Total	71.527.439	99.234.212	128.041.104

Table 8: Value of Greek Exports to Luxembourg, (Eurostat, 2022)

EXPORTS - Value in Euro (€)	2020	2021	2022(1-11)
Food and Live Animals	1.049.018	3.126.109	752.157
Beverages and Tobacco	1.723.661	2.537.388	3.397.110
Crude Materials, Inedible, Except fuels	19.731	47.289	67.191
Mineral Fuels, Lubricants and Related Materials	3.560.974	8.249.036	150.089.648
Animal and Vegetable, Oils, Fats and Waxes	42.545	36.127	46.130
Chemical and Related Products, N.E.S.	197.549	356.330	189.230
Manufactured Goods Classified Chiefly by Material	864.044	1.253.640	3.180.871
Machinery and Transport Equipment	7.688.168	11.521.975	5.773.952
Miscellaneous Manufactured Articles	421.413	1.859.491	899.892
Commodities and Transactions not Classified Elsewhere in the SITC	39.008	28.762	164.396.181
Total	15.606.111	29.016.147	328.792.362

4.6. Leading Sectors for Exporters

Banking: The banking sector is the biggest industry in Luxembourg. Luxembourg was ranked as the third most-competitive financial center in the continent right after Zurich and London and the world's eighteenth most-competitive by the 2017 Global-Financial Centers Index. The country has specialized in international fund-administration business. Since its domestic market is small, Luxembourg's financial center is international. Luxembourg had 152 banks in 2009 which had employed about 27,000 employees. Cross-border financial expertise, political stability, skilled staff, and excellent communication skills have contributed to their success in the financial industry.

Steel: The steel industry is still one of the largest sectors in Luxembourg even after the numerous industrial-reforms that have transpired in various parts of the world since the 1960s. The introduction of the metallurgy in 1876 was a significant event in the history of Luxembourg's economy. The refining process resulted in the creation of a steel industry in the country and the formation of the ARBED firm. The national steel industry sustained Luxembourg's economy during the second-half of the nineteenth century. Steel production grew from 145,313 tons (1900) to 1,115,004

tons in 1913. ARBED was the main iron and steel producing company in Luxembourg that was formed after the merging of three steel-producing firms.

Information Technology: Luxembourg has a well-developed ICT sector with the country being home to SES (one of the leading satellite operators in the world). SES was established in 1986 to operate and install a satellite-communication system for transmitting television programs on the continent. Their first satellite the SES Astra satellite was launched in 1988 by Ariane Rocket. Some of the leading ICT activities being carried out in the country include online payment services, cloud services, online sales platform, and management and archiving of digital data among others. The government launched the Digital-Letzebuerg initiative in 2014 to promote e-government and the digital economy. Luxembourg ranked ninth in the Global IT report of 2015 that the World Economic Forum published.

Emerging biotech industry: Aided by a well-developed ICT infrastructure, Luxembourg's biotech industry ranks highly in the Global Biotechnology Innovation Scorecard for strong IP protection, national spending on R&D, policy, and overall stability – each of which are indicators of how favorable an innovation environment a country may present.

Tourism: The tourism industry is a crucial part of the economy of Luxembourg that employs over 25,000 people. The tourism sector contributed to 8.3% of Luxembourg's GDP in 2009. Luxembourg receives more than 900,000 tourists annually who spend at least two and a half days in hostels, camping sites or hotels. Business travels represent over 44% of the overnight stays in Luxembourg.

Agriculture: In the last few decades, over 200 financial institutions have contributed to the fast transformation of Luxembourg's economy from an agrarian economy to a service sector. The number of farms in the region reduced from 1970 (7,600 farms) to 2,600 farms in 2011. Over 126,000 hectares of land in Luxembourg is still used for agriculture. Dairy farming plays a vital role in the country's agricultural sector with several farms having over 50 dairy cows in 60 hectares of land.

5. Accessing to the local market

To successfully conduct business in Luxembourg, companies must understand the nation's laws, rules, and regulations. In this article we review the advantages of doing business in Luxembourg, the risks and considerations, and address common FAQs. [ase of starting a business](#)

There are many steps needed to get operations up and running in Luxembourg, for that reason it ranks low in ease of doing business. Just some of the factors to consider include:

Starting a business: It takes around a week to get a company set up. You'll need to make sure that you have all the information required, as well as a Luxembourg bank account. Once this is done, you can book an appointment with the notary to kick off proceedings. The cost of setting up a business can be as little as €4,000, depending

on the company type. Maintenance, on the other hand, will set you back roughly €15,000 a year for domiciliation, accounting, tax compliance, minimal corporate secretarial services and a director.

The cost of maintaining your company will be higher than €15,000 if your business requires office space, further staff members, a business licence or help with monthly obligations like VAT returns and interim financial statements. Luxembourg is competitive for both tax and social security. This is especially true of social security as contributions are capped for employers, employees, and the self-employed. For 2021, social security contributions are paid on annual remuneration of up to €132,115.80. Anything that you earn over this threshold is not subject to social security.

Incorporation: Incorporating an entity in Luxembourg is a lengthy process. To complicate matters, different types of businesses are governed by different local regulations. Finally, the time in which a company can begin operating depends on its commercial activity.

Obtaining a business license: This process typically takes about two weeks; however, companies must meet capital requirements before a license is granted. Certain businesses may also need to present evidence of professional qualifications and professional integrity.

Securing credit: If financing is required, securing credit in Luxembourg can be complicated. There is little information available through public credit registries and credit bureaus on how to obtain credit. Without the help of an experienced advisor it can be hard to know where to start.

Construction permits: For construction projects, time must also be built in to allow for permits to be granted. There are about 12 steps to complete a permit application and up to 157 days on average to receive one.

Registering a property: Property registration is also a lengthy process and must be carried out by a locally registered public notary.

Despite these hurdles, with the right help, the process of establishing a business in Luxembourg can be a smooth one, and once a company is set up there are many benefits.

6. Business Culture and Communication

Business relationship: Business relationships in Luxembourg are relatively similar to other Western European countries. Initially, business deals are negotiated and agreed upon verbally. This is then followed up and formalised in writing with both parties signing the document as confirmation of the agreement. Although friendly and informal with close friends and family, the Luxembourgish are often reserved and formal when dealing with outsiders. They are a private people who do not put their possessions or emotions on display, particularly in the business environment. The Luxembourgish prefers subtlety to directness. They do not ask personal questions

and will refuse to answer should you intrude on their privacy. It is very important when developing your relationships with the Luxembourger, that you remember to keep personal life separate from business.

Luxembourgers usually maintain a clear separation between their personal and business lives. Showing interest in the country and the people can be important in building business relationships. Luxembourgers are generally **polite but reserved**, so loudness, assertiveness, and over familiarity are all considered inappropriate at the beginning of a business relationship.

Meetings: Meetings in Luxembourg are formal and follow protocol. The purpose of meeting is often to formalize a decision or give instructions, as often the decision-making is done prior to the meeting. Small talk is kept to a minimum and rules of conduct are closely followed.

Business cards: are important in Luxembourg. Give business cards to the receptionist or secretary upon arrival at an office and to each person you meet subsequently. Print cards in English and preferably with either French or German on the reverse. Do not include academic degrees or titles, as the Luxembourgiens find such boastfulness rude and a sign of poor breeding.

Language matters: In most business environments, the main spoken and written language is French. Almost half of the population speaks at least two foreign languages and about 45% speak three or more languages. A concentration in French or German can be an asset to a career in business or international affairs; while good knowledge of foreign languages, combined with business training, could open up opportunities to a variety of small to medium sized enterprises that are based in Luxembourg and active throughout the European Union.

Gifts: Gifts are generally not exchanged in the business world in Luxembourg. When invited to someone's house, however, is customary to bring a gift of flowers, chocolates or a good bottle of wine.

Business dress: The dress code in Luxembourg is formal and conservative. Luxembourgers generally wear high quality clothes while avoiding bright colours. Men wear suits and ties, while women typically dress in either a suit, dress, or a skirt and blouse.

Business hours: Monday to Friday 8am or 9am to 5pm or 6pm. Many companies have flexible hours, meaning employees can arrange their hours to suit them, provided they work 40hours a week.

7. Useful contacts

Embassy in Luxembourg

Address : 27 rue Marie-Adelaide, L-2128 Luxembourg

Tel. : (00352) 44 51 93

Fax : (00352) 450164

Emergency tel: +352 621 40 30 80

E-mail : gremb.lux@mfa.gr

Working Hours: Mon - Fri, 09:30-15:30

Head of Mission: Ambassador Angelos Ypsilantis

Consular Office

Address: 27 rue Marie-Adelaide, L-2128 Luxembourg

Tel: (00352) 44519326

Fax: (00352) 450164

E-mail: grcon.lux@mfa.gr

Working Hours: Mon - Fri, 10:30-14:00

Head of Consular Office: Ioannis Georgopoulos

Public Diplomacy Office

Address: 27 rue Marie-Adelaide, L-2128 Luxembourg

Tel. : +352 44519328

Fax : +352 450164

Email: pdo.lux@mfa.gr

Head of Public Diplomacy Office:

8. Sources

- European Commission
- Euromonitor International
- Fitch Solutions: BMI Research
- IMF
- OECD
- Societe Generale
- Statista
- The World Bank Group
- TradingEconomics
- UNCTAD
- StandardTrade
- Doingbusiness
- U.S. Department of Commerce, International Trade Administration
- World Economic Forum
- Wolters Kluwer

Financial Institutions

- Eurobank: Export Gate

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