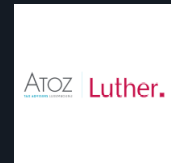


Legal 500 Country Comparative Guides 2025

Luxembourg Doing Business In

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This country-specific Q&A provides an overview of doing business in laws and regulations applicable in Luxembourg.

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Luxembourg: Doing Business In

1. Is the system of law in your jurisdiction based on civil law, common law or something else?

Luxembourg has a legal system based on civil law.

2. What are the different types of vehicle / legal forms through which people carry on business in your jurisdiction?

Corporate forms with and without corporate legal personality exist. The most common legal entities with corporate legal personality are:

- public limited liability company (*société anonyme*, SA);
- private limited liability company (*société à responsabilité limitée*, S.à r.l.) ;
- partnerships, such as the corporate partnership limited by shares (*société en commandite par actions*, SCA) and limited partnerships (*société en commandite simple*, SCS)
- simplified joint stock company (*société par actions simplifiée*, SAS)

A last type of partnership, the special limited partnership (*société en commandite spéciale*, SCSp) is a very flexible vehicle that allows for its statutory provisions to be arranged more freely. This vehicle, however, does not have a legal personality.

3. Can non-domestic entities carry on business directly in your jurisdiction, i.e., without having to incorporate or register an entity?

They are allowed to do so through a branch, provided they obtain a business permit when required. Registration is mandatory only for regulated businesses, such as those in the financial sector.

4. Are there any capital requirements to consider when establishing different entity types?

Public limited liability companies, corporate partnerships limited by shares, and simplified joint stock companies must have a minimum share capital of EUR 30,000, while private limited liability companies require a minimum of

EUR 12,000. In contrast, limited and special limited partnerships are not subject to any minimum capital requirements.

5. How are the different types of vehicle established in your jurisdiction? And which is the most common entity / branch for investors to utilise?

Luxembourg entities are established through the execution of a notarial deed of incorporation before a Luxembourg Notary. However, limited and special limited partnerships may also be formed by private instrument. The private limited liability company (S.à r.l.) remains the most widely used corporate vehicle in Luxembourg, though limited and special limited partnerships also very popular due to their flexibility.

6. How is the entity operated and managed, i.e., directors, officers or others? And how do they make decisions?

A *société anonyme* (SA) in Luxembourg can adopt either a monistic (one-tier) or dualistic (two-tier) management structure, as specified in its articles of association. In the one-tier system, a board of directors manages the company, with members appointed by the general meeting of shareholders for a maximum term of six years. In the two-tier system, management is divided between a management board, which runs the company, and a supervisory board, which oversees management. The supervisory board (at least three members, or one if there is a sole shareholder) is appointed by the general meeting of shareholders, while the management board is appointed by either the general meeting or the supervisory board, with its size defined by the articles of association. If the SA has a share capital below EUR 500,000 or only one shareholder, it may have a single senior manager instead of a full management board. Members of the management board cannot serve on the supervisory board, and all appointments are limited to a six-year term.

A S.à r.l. is managed by one or more managers, who may or may not be shareholders. They are appointed by the shareholders for a limited or indefinite term. Often, the managers form a board of managers, but this is not

legally required.

Luxembourg partnerships are managed by one or more managers which do not need to be general partners. However, in most cases, the partnerships are managed by their general partner, which itself usually is a private limited liability company.

7. Are there general requirements or restrictions relating to the appointment of (a) authorised representatives / directors or (b) shareholders, such as a requirement for a certain number, or local residency or nationality?

a. Directors/Managers

The board of an SA includes at least 3 directors, unless the company has only one shareholder, in which case only one director is required. A S.à r.l. needs at least one manager.

The law does not impose specific qualification requirements—except for certain regulated professions—nor does it set nationality, residence or other restrictions for becoming a director/manager or a member of the board. To have sufficient substance for tax purposes, however, at least 50% of the members of the board of directors with decision-making authority should be either Luxembourg residents or non-residents with a professional activity in Luxembourg. Luxembourg board members also need to have sufficient professional knowledge to exercise their functions and have at least the capacity to act on behalf of the company (not mere “nominee directors”).

Legal entities may also serve as board members, provided that a permanent representative is appointed, i.e. a natural person responsible for the execution of this task for and on behalf of the legal entity.

The articles of association may impose additional requirements or restrictions on directors' or managers' authority to represent the company, such as a joint authorisation.

b. Shareholders

There are no requirements or restrictions for shareholders (except in limited cases, e.g. in the financial sector).

8. Apart from the creation of an entity or

establishment, what other possibilities are there for expanding business operations in your jurisdiction? Can one work with trade /commercial agents, resellers and are there any specific rules to be observed?

An entity is free to collaborate with trade agents, commercial representatives, and resellers.

9. Are there any corporate governance codes or equivalent for privately owned companies or groups of companies? If so, please provide a summary of the main provisions and how they apply.

The principal source of corporate governance applicable to privately owned companies is the law dated 10 August 1915 on commercial companies, as amended.

10. What are the options available when looking to provide the entity with working capital? i.e., capital injection, loans etc.

When providing an entity with working capital, the main options are equity and debt financing. Shareholder contributions and share issues—either with or without share premium—are commonly used equity-based methods, with shareholder contributions requiring no formal registration, while share issues must follow procedures outlined in the Luxembourg law on commercial companies, including shareholder approval at a general meeting. On the debt side, companies can obtain loans from investors. Additionally, structured instruments such as convertible loans, allowing lenders to convert their loans into shares under predefined conditions are also used.

11. What are the processes for returning proceeds from entities? i.e., dividends, returns of capital, loans etc.

Under Luxembourg law, proceeds can be returned to shareholders and investors through dividends, capital reductions, and loan repayments, each requiring specific legal procedures. Dividends may be distributed from available distributable profits upon approval by the general meeting of shareholders, based on the annual accounts. If permitted by the company's articles of association, the management can also decide to distribute an advance or interim dividend, following specific conditions. Capital reductions occur through

shareholder resolutions at an extraordinary general meeting and must comply with creditor protection rules, including a waiting period for creditor opposition. Contributions to the share premium account or 115 account can be freely distributed or repaid.

Share buybacks are also allowed under certain conditions, enabling companies to repurchase and cancel shares as a way of returning value to shareholders. Loan repayments to shareholders or investors must follow contractual terms but must also comply with corporate interest rules and financial assistance restrictions to ensure compliance with Luxembourg company law.

12. Are specific voting requirements / percentages required for specific decisions?

Under Luxembourg law, voting requirements and percentages vary based on the type of decision and the corporate form of the company. For a *société anonyme* (SA), Ordinary General Meetings (OGM) require a simple majority of votes cast, such as for approving annual accounts or appointing directors. In Extraordinary General Meetings (EGM), changes to the articles of association, like capital increases or reductions, require a quorum of 50% of the share capital and a two-third majority of votes cast. If the quorum is not met, a second meeting requires no quorum but still needs a two-third majority. Changes to nationality or increasing shareholder commitments need unanimous approval. For a *société à responsabilité limitée* (S.à r.l.), OGM decisions need a simple majority of shareholders representing over 50% of the share capital, and if the quorum is not met, a second meeting can decide by a simple majority. EGM resolutions require at least 75% approval for amendments to the articles. Unanimous approval is required for nationality changes or increases in shareholder commitments.

In Luxembourg partnerships, voting requirements are outlined in the partnership agreement, which defines whether resolutions need partner approval. However, certain decisions, such as changes to the corporate object, nationality, conversion, and liquidation, must be adopted by partners, requiring consent from those holding three-quarters of the partnership interests and unanimous consent from unlimited partners. The company's articles of association may adjust voting rules as long as they comply with the legal minimums.

13. Are shareholders authorised to issue binding instructions to the management? Are these rules the same for all entities? What are the

consequences and limitations?

The management of a Luxembourg company operates independently and is not bound by shareholder instructions, except when executing resolutions that fall within the general meeting's legal or statutory competence. However, specific agreements between shareholders and directors may impose certain directives. Regardless, directors must always prioritize the company's best interests; failure to do so, even when following instructions to the contrary, may result in personal liability towards the company, other shareholders, and potentially its creditors.

14. What are the core employment law protection rules in your country (e.g., discrimination, minimum wage, dismissal etc.)?

Luxembourg employment law contains many rules that are meant to protect the employee, notably with regards to:

- dismissals (see below), including a legal protection against dismissal for certain categories of employees (such as employees on sick leave or on maternal leave, and staff representatives),
- work time (with daily and weekly work time limits and specific rules on overtime),
- wages (including a minimum wage and an automatic wage indexation),
- legal protection against discrimination and (moral and sexual) harassment, etc.

15. On what basis can an employee be dismissed in your country, what process must be followed and what are the associated costs? Does this differ for collective dismissals and if so, how?

An employee bound by a permanent employment contract can be dismissed:

- either with notice, based on personal grounds (e.g., insufficient performance, behavioural issues) and / or on economic grounds (e.g., strategic decision from the employer to abolish the employee's position, financial issues, restructuring),
- or with immediate effect, based on a serious misconduct that makes it necessary for the employee to leave the workplace immediately (e.g., criminal offence such as theft, acts of violence at the workplace).

As an exception, an employee can be dismissed (with

notice) during the probation period without any particular reason.

An employee bound by a fixed-term employment contract can only be dismissed (before the term) based on a serious misconduct (and with immediate effect).

The dismissal process is broadly the following:

- if the employer employs 150 employees or more, the employer must first summon the employee to a pre-dismissal interview, during which the employer must state the reasons for the contemplated dismissal and allow the employee to comment;
- the employer's decision to dismiss the employee must be notified to the employee by way of a dismissal letter; in the case of a dismissal with immediate effect (but not in the case of a dismissal with notice), the letter of dismissal must mention the reasons for dismissal;
- if the employee is dismissed with notice, the employee may request (within one month of the notification of the dismissal letter) that the employer states the reasons for dismissal, and if the employee does so, the employer must respond and state (in a precise and detailed manner) the reasons for dismissal in writing within one month as of the receipt of the employee's request.

The employment contract effectively ends either at the moment of the notification of the dismissal (in the case of a dismissal with immediate effect), or at the expiry of the applicable notice period (in the case of a dismissal with notice). The notice period is 2, 4 or 6 months, depending on whether the employee's seniority is less than 5 years, between 5 and 10 years or more than 10 years, and which starts running either on the 15th day of the month or on the 1st day of the following month, depending on the date of the notification of the dismissal.

A severance pay is only due to employees dismissed with notice and with a seniority of at least 5 years, and ranges from 1 to 12 months' salary (depending on the seniority of the employee). If a dismissal is ruled to be abusive (e.g., because the dismissal was not based on valid reasons) by the competent court, the employer is usually condemned to pay damages to the employee, in order to indemnify the latter for any material or moral losses.

A specific collective dismissal procedure must be followed by the employer as soon as the employer intends to dismiss for economic reasons at least 7 employees over a period of 30 days or 15 employees over a period of 90 days. In the framework of a collective dismissal procedure, the employer must notably

negotiate a social plan with the staff representatives and trade union representatives.

16. Does your jurisdiction have a system of employee representation / participation (e.g., works councils, co-determined supervisory boards, trade unions etc.)? Are there entities which are exempt from the corresponding regulations?

Employees are represented by staff delegates, who are elected every 5 years.

Employers have an obligation to have staff delegates elected if they have employed at least 15 people during the 12 months prior to the social elections. Businesses that employ fewer than 15 employees are exempted.

The main role of the staff delegates is to safeguard and defend employees' interests with regards to working conditions, job security and employment status, and to act as a mediator between the employees and the employer.

The employer has an obligation to inform and / or to consult the staff delegates on a number of subjects, mainly related to working and employment conditions and employee welfare. For businesses that employ at least 150 employees, the employer and the staff delegates jointly take decisions in relation to certain matters, such as the introduction or application of technical systems to monitor the employees' conduct and performances.

Trade unions also play a role in the representation of employees, as they notably negotiate collective labour agreements.

17. Is there a system governing anti-bribery or anti-corruption or similar? Does this system extend to nondomestic constellations, i.e., have extraterritorial reach?

Luxembourg has a system governing anti-bribery and anti-corruption laws, primarily established through Luxembourg's Criminal Code and in line with international standards, including the OECD Anti-Bribery Convention and the EU Anti-Corruption Framework. The key provisions criminalise both active and passive bribery, covering bribes offered or received by public officials or private individuals in relation to their professional duties. Bribery offenses include offering, promising, or giving

bribes, as well as requesting, accepting, or receiving them. Luxembourg law also criminalises money laundering related to bribery and corruption.

Luxembourg's anti-bribery and anti-corruption laws have extraterritorial reach, meaning they apply to offenses committed outside Luxembourg if the offender is Luxembourg-based, such as Luxembourg nationals or entities.

18. What, if any, are the laws relating to economic crime? If such laws exist, is there an obligation to report economic crimes to the relevant authorities?

Luxembourg has comprehensive laws relating to economic crimes, which include offenses such as fraud, money laundering, bribery, tax evasion, market abuse and insider trading. Key legislative frameworks governing economic crimes in Luxembourg include the Criminal Code, the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended, Regulation (EU) No 596/2014 on market abuse, which has been directly applicable in Luxembourg since 3 July 2016 and the Luxembourg law of 23 December 2016 on market abuse, as amended.

Under Luxembourg law, there is a mandatory reporting obligation for certain economic crimes, particularly money laundering and terrorist financing. Financial institutions and other professionals in certain sectors (such as lawyers, notaries and real estate agents) are required to report suspicious transactions. Failure to report may lead to criminal liability.

19. How is money laundering and terrorist financing regulated in your jurisdiction?

Money laundering and terrorist financing are punishable offences under the Luxembourg Criminal Code.

Moreover, under the Luxembourg law of 12 November 2004 on the fight against money laundering and terrorist financing, an AML/CFT regime was set up in Luxembourg, entailing a set of obligations to the designated obliged professionals, such as, among others, credit institutions, professionals of the financial sector, lawyers, statutory auditors, audit firms, real estate agents or developers and notaries. The breach of those obligations is sanctionable through disciplinary, administrative and/or criminal sanctions.

All designated professionals are required to have a thorough understanding of their customers, commonly

referred to as Know Your Customer (KYC) procedures. The extent of the due diligence measures a designated professional must undertake is determined by the level of risk associated with money laundering or terrorist financing. The higher the perceived risk, the more comprehensive the KYC measures the professional must implement, which may include enhanced customer identification, detailed transaction monitoring, and ongoing scrutiny of business relationships.

The 2004 law also mandates the establishment of an adequate internal organisation including internal controls and employee training to prevent money laundering and terrorist financing. Finally, the designated professionals are obliged to cooperate actively and passively with the relevant authorities on AML/KYC matters. This means that they are to respond promptly to or accommodate any request from said authorities (and also pro-actively report any suspicious activity or transaction).

20. Are there rules regulating compliance in the supply chain (for example comparable to the UK Modern Slavery Act, the Dutch wet kinderarbeid, the French loi de vigilance)?

Luxembourg has criminal laws prohibiting forced labour and human trafficking under its Criminal Code, which apply to supply chains.

The Non-Financial Reporting Directive 2014/95/EU of 22 October 2014 was transposed into Luxembourg law by the Law dated 23 July 2016, obliging certain large public interest entities to include in their management report a non-financial statement with information to obtain an understanding of the development of the business, performance, position and impact of the company's activities, relating to environmental issues, social and personnel matters, respect for human rights and anti-corruption.

In terms of environmental, social and governance considerations, Luxembourg companies shall also comply with the provisions of EU Regulation 2019/2088 (SFDR) and EU regulation 2020/852 on taxonomy, as completed by the Luxembourg law of 25 February 2022.

A new draft bill has been introduced by the Luxembourg parliament on 29 March 2024 transposing into Luxembourg law both the directive 2022/2464 (CSRD) and the delegated directive 2023/2775 regarding the adjustments of the size criteria for micro, small, medium-sized and large undertakings or groups.

Finally, on 25 July 2024, the Directive on corporate

sustainability due diligence (Directive 2024/1760) entered into force. The aim of this Directive is to foster sustainable and responsible corporate behaviour in companies' operations and across their global value chains. This directive has not yet been transposed into Luxembourg law.

21. Please describe the requirements to prepare, audit, approve and disclose annual accounts / annual financial statements in your jurisdiction.

Under Luxembourg law, the preparation, audit, approval, and disclosure of annual accounts/financial statements are governed by the Luxembourg law on commercial companies and the law of 2002 on the register of commerce and companies (RCS) and accounting. The requirements depend on the company's size and legal form.

1. Categories of companies

The financial thresholds defining the categories of companies are as follows:

Category	Balance sheet total	Net turnover	Average number of employees
Small company	≤ EUR 7.5 million	≤ EUR 15 million	≤ 50
Medium-sized company	≤ EUR 25 million	≤ EUR 50 million	≤ 250
Large company	> EUR 25 million	> EUR 50 million	> 250

2. Preparation of annual accounts

Non-listed small companies may draw up an abridged balance sheet, an abridged profit and loss account and abridged notes to the annual accounts. No annual management report is required.

Non-listed medium-sized companies may draw up an abridged profit and loss account and may prepare an abridged management report.

Large companies must prepare a balance sheet and profit and loss account in accordance with the headings prescribed by the Grand-Ducal Regulation of 15 December 2016 and a full management report must be prepared.

In an SA, the board of directors (or the management board in a two-tier system) is responsible; in a S.à r.l., it is the managers' duty. Luxembourg Generally Accepted Accounting Principles (Lux GAAP) apply, but some entities (e.g., those under IFRS) must comply with International Financial Reporting Standards (IFRS).

3. Audit Requirements

- A statutory audit is mandatory for large and medium-sized companies, listed companies, banks, financial institutions and companies subject to the supervision of the CSSF or the *Commissariat au Assurances*. The audit must be conducted by a *Réviseur d'Entreprises Agréé* (independent statutory auditor).
- Smaller companies may only require a limited review by a *Commissaire aux Comptes* (statutory auditor without full audit duties).

4. Approval of Annual Accounts

The board of directors (SA) or managers (S.à r.l.) submits the accounts for shareholder approval. Approval occurs at the annual general meeting (AGM) within six months after the end of the financial year.

5. Disclosure & Filing Obligations

Companies must file their annual accounts with the Luxembourg Business Registers (LBR) within one month of shareholder approval. The accounts become publicly available through the RCS. Late filing can result in fines, director liability, and potential dissolution for non-compliance.

6. Specific accounting obligations for Luxembourg partnerships

If the annual turnover of its last financial year does not exceed EUR 100,000 (excluding VAT), an SCS is not required to produce or file annual accounts (balance sheet, profit and loss account and the notes). However, this exemption does not apply for SCS when all of the partners with unlimited liability are (i) legal persons in the form of an SA, S.à r.l. or partnerships limited by shares (SCA) (or comparable EU member states entities) or (ii) companies not governed by the legislation of an EU member state with a comparable legal form.

SCSp must maintain accounts that are appropriate to the nature and scope of its business. It is not required to produce or file annual financial statements (balance sheet, profit and loss account and the notes).

22. Please detail any corporate / company secretarial annual compliance requirements?

Books and records must be maintained at the company's registered address, including minutes of board and shareholders' meetings, the company's articles of association, and the shareholders' or members' register.

Additionally, companies must ensure that the Luxembourg Register of Beneficial Owners is updated

with any changes in ownership or control.

23. Is there a requirement for annual meetings of shareholders, or other stakeholders, to be held? If so, what matters need to be considered and approved at the annual shareholder meeting?

For SAs, an AGM is mandatory and must be held within six months after the end of the financial year. For S.à r.l.s, an AGM is only required if the company has 60 or more shareholders. However, if the company has fewer than 60 shareholders, the annual accounts must still be approved by the shareholders through shareholders' resolutions.

At the AGM, shareholders typically review and approve key corporate matters, including:

- Approval of annual accounts: The financial statements of the company must be presented and approved.
- Allocation of profits and dividends: Shareholders decide on profit distribution, including dividend payments.
- Discharge of the management: Shareholders grant or deny discharge to directors/managers for their management of the company in the previous year.
- Appointment or removal of the management and auditors: If applicable, shareholders vote on board appointments, removals, and auditor renewals.

24. Are there any reporting / notification / disclosure requirements on beneficial ownership / ultimate beneficial owners (UBO) of entities? If yes, please briefly describe these requirements.

Companies must register UBO details with Luxembourg Register of Beneficial Owners (RBE) within one month after incorporation or any change in UBO information, providing details such as full name, nationality, date and place of birth, country of residence, nature and extent of ownership, and a national or foreign identification number if applicable. A UBO is any natural person who ultimately owns or controls an entity, typically someone who directly or indirectly holds more than 25% of shares or voting rights, exercises control by other means, or, in the absence of an identifiable individual, is part of the entity's senior management.

25. What main taxes are businesses subject to in your jurisdiction, and on what are they levied

(usually profits), and at what rate?

In 2025, Corporate Income Tax (CIT) and Municipal Business tax (MBT) typically applies at a rate of 21.73% to 23.87% for companies with their registered office in Luxembourg City. This includes:

- CIT charged at 14% to 16% (depending on the amount of the company's taxable income):
- A surcharge of 7%, applied to the rate of CIT payable.
- MBT charged at 6.75% for Luxembourg City (the MBT rate ranges from 6.75% to 10.5%, depending on the municipality where the company is established).

In principle, Luxembourg tax resident companies are also subject to the higher of either the standard 0.5%/0.05% net wealth tax (NWT) (before reduction) or the minimum NWT.

In 2025, the minimum NWT amounts (before reduction) are as follows: (i) 535 euros where the total balance sheet is less than or equal to EUR 350,000; (ii) 1,605 euros where the total balance sheet is greater than EUR 350,000 and less than or equal to EUR 2,000,000; (iii) EUR 4,815 where the balance sheet total is greater than EUR 2,000,000.

A Pillar Two top-up tax may also be levied, under certain conditions, on the profits of entities located in Luxembourg, if their Pillar Two profits are not subject to an effective minimum tax rate of 15%.

An annual 20% real estate levy (*prélèvement immobilier*) on income and gains arising from real estate assets situated in Luxembourg and realised either directly or indirectly (through one or more tax transparent entities) by Undertakings for Collective Investment (UCI) within the meaning of Part II of the Law of 17 December 2010, Specialised Investment Funds (SIF) within the meaning of the Law of 13 February 2007, and Reserved Alternative Investment Funds (RAIF) within the meaning of Article 1 of the Law of 23 July 2016 (to the extent that they are set up in tax opaque form).

26. Are there any particular incentive regimes that make your jurisdiction attractive to businesses from a tax perspective (e.g. tax holidays, incentive regimes, employee schemes, or other?)

Luxembourg tax law provides for a participation exemption regime (subject to recapture) for Luxembourg resident companies and Luxembourg qualifying permanent establishments of non-resident companies

that hold or commit to hold participations that represent at least 10% in a qualifying subsidiary, or the acquisition price of which is at least EUR 1.2 million for dividends and liquidation proceeds (or EUR 6 million for capital gains), for an uninterrupted period of at least 12 months. The exemption covers dividends, capital gains and liquidation proceeds with respect to CIT and MBT purposes and qualifying participations for NWT purposes.

A Luxembourg company can rollover the gain realised on the disposal of real estate assets or assets that may not be depreciated (*Article 54 LITL*), or the gain realized upon a share for share exchange (*Article 22bis LITL*).

Luxembourg employees can benefit from various favourable regimes such as a profit share regime, a carried interest regime, and an impatriate regime.

27. Are there any impediments / tax charges that typically apply to the inflow or outflow of capital to and from your jurisdiction (e.g., withholding taxes, exchange controls, capital controls, etc.)?

Under certain conditions, interest and royalty expenses due to entities located in non-cooperative jurisdictions, that are on the blacklist drawn up by the Council of the EU, are not deductible from corporate tax.

The inflow or outflow of capital to and from Luxembourg are in principle not subject to tax. However, an exit tax may be charged, in accordance with the Anti-Tax Avoidance Directive (ATAD), notably when a Luxembourg corporate tax resident transfers its tax residence abroad. In that case, the transfer of assets abroad is assimilated to a sale, thus Luxembourg taxpayers are subject to tax on the deemed capital gain realised on the transferred assets at the time of the exit. In case of transfers within the EEA, the taxpayer can request to defer payment of exit tax, by paying in equal instalments over five years.

Luxembourg tax law also provides for M&A neutral tax regimes.

28. Are there any significant transfer taxes, stamp duties, etc. to be taken into consideration?

Luxembourg registration duty applies to the disposal of certain assets that must be registered (essentially, real estate located in Luxembourg). This applies regardless of whether the contract is executed in Luxembourg or elsewhere. Subject to certain exemptions, transfer tax applies on the sale of real estate assets at the standard rate of 6%. If the real estate is located in Luxembourg

City, a municipal surcharge of 3% is added. A 1% transcription tax (*droit de transcription*) is also due on the sale of a Luxembourg real estate property. No registration duty is due on a transfer of buildings to be built (*immeubles à construire*) that are subject to VAT.

Registration duty can be mitigated by contributing the asset into a Luxembourg ad hoc vehicle in consideration for shares. In this case, a reduced transfer tax applies at a total rate of 3.4% (2.4% registration duty plus 1% transcription tax, with rates as at 1 January 2025). To this is added a municipal surcharge of 1.2%, if the real estate is located in Luxembourg City.

There is no transfer tax on a share sale. However, if the securities sold are in a Luxembourg tax transparent entity (*société civile*) holding at least one Luxembourg real estate asset, registration duties apply.

29. Are there any public takeover rules?

Luxembourg has public takeover rules, primarily governed by the Law of 19 May 2006 on Public Takeover Bids, as amended, which transposes the EU Takeover Directive (2004/25/EC). These rules apply to companies with securities admitted to trading on a regulated market in Luxembourg. The law establishes key principles, including equal treatment of shareholders, transparency, and market integrity. There are also other laws, regulations and circulars that, directly or indirectly, regulate takeover bids.

30. Is there a merger control regime and is it mandatory / how does it broadly work?

Luxembourg is planning to establish a national merger control regime with the introduction of Bill of Law 8296 on 23 August 2023. The bill proposes a mandatory merger control system requiring prior notification and clearance for mergers, acquisitions, and transactions involving a change of control if they meet certain turnover thresholds: a combined annual turnover in Luxembourg exceeding EUR 60 million or at least two parties each generating over EUR 15 million annually. It introduces an ex-ante notification obligation, sanctions for non-compliance, and grants the competent authority the power to review transactions even if thresholds are not met if there is a potential restrictive effect on competition.

31. Is there an obligation to negotiate in good

faith?

Under Luxembourg law, there is an obligation to negotiate in good faith, rooted in the general principles of contract law and the duty of good faith (*bonne foi*) established in the Luxembourg Civil Code. Article 1134 of the Civil Code states that agreements must be performed in good faith, which extends to pre-contractual negotiations.

32. What protections do employees benefit from when their employer is being acquired, for example, are there employee and / or employee representatives' information and consultation or co-determination obligations, and what process must be followed? Do these obligations differ depending on whether an asset or share deal is undertaken?

In the case where the employer's business is acquired by a third party, whether by way of an asset deal or by way of a share deal, the main principle is that all employment contracts in force on the date of the acquisition shall continue to exist and that the employees' rights are maintained. The acquisition cannot in itself constitute a valid reason for dismissal.

Furthermore, the employer has an obligation to inform and consult the staff delegates in good time prior to the operation. The employer must notably inform the staff delegates with regards to the legal, economic and social consequences of the operation for employees, and to the social measures that are being considered.

33. Please detail any foreign direct investment restrictions, controls or requirements? For example, please detail any limitations, notifications and / or approvals required for corporate acquisitions.

A national foreign direct investment (FDI) screening mechanism has been implemented in 2023. The screening mechanism applies to an investment made by a foreign investor, acting alone or in concert or by interposition with others that (i) creates or maintains lasting and direct relations between the investor and a Luxembourg entity and (ii) enables the investor to participate effectively in the control of this entity to carry out a critical activity in Luxembourg likely to undermine the Duchy's public security or public order.

Critical activities are (i) activities in the energy, transport, water, aerospace, agri-food, health, communication, data

processing or storage, defence, media or finance sectors or activities related to the trade of dual-use goods, (ii) production or research activities related to the above activities or (iii) related activities that may allow access to the premises where a critical activity is being carried out, or where sensitive information is kept.

A foreign investor is considered to participate effectively in the control of an entity when it (i) directly or indirectly has a majority of the voting rights, (ii) has the right to appoint or dismiss the majority of the members of the management board or the supervisory board while also being a shareholder of that entity, (iii) has the majority of the voting rights (in accordance with an agreement with the other shareholders), while also being a shareholder or (iv) holds more than 25% of the voting rights of an entity, directly or indirectly, or it crosses this threshold at any given time.

A foreign investor must notify the Ministry of Economy before making an FDI in Luxembourg. The authorities have two months to review the notification and determine if the investment falls under the screening mechanism. If a screening procedure is initiated, a decision will be made within 60 days (with exceptions) on whether the investment threatens public security or public order and should be refused or approved with conditions. Non-compliance with the screening process or imposed conditions may lead to sanctions, including suspension of voting rights, modification or reversal of the investment, withdrawal of authorization, and fines up to EUR 1 million for individuals and EUR 5 million for legal entities.

34. Does your jurisdiction have any exchange control requirements?

No.

35. What are the most common ways to wind up / liquidate / dissolve an entity in your jurisdiction? Please provide a brief explanation of the process.

In Luxembourg, the dissolution and liquidation of a company may be voluntary or compulsory. However, voluntary dissolution and liquidation are the most common methods of winding up a company. It is initiated by the company's shareholders, with a resolution to dissolve and liquidate the company at a general shareholders' meeting. This resolution must be filed with the Luxembourg Register of Commerce and Companies (RCS), and the company is then considered to be in liquidation. The shareholders also appoint one or more

liquidators, who will be responsible for managing the company's affairs during the liquidation process.

The role of the liquidator is to settle the company's debts, liquidate its assets, and distribute any remaining assets to the shareholders. Once this is done, the liquidator will prepare a final report to the shareholders, who will decide in a general meeting to appoint a liquidation auditor, who in turn will prepare a report on the liquidation. A third and

final general shareholders' meeting will examine the report of the liquidation auditor, close the liquidation process and request the dissolution of the company with the RCS. The company is then formally dissolved and removed from the RCS, marking the completion of the voluntary liquidation process.

A simplified dissolution and liquidation process exists for companies with a sole shareholder.

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