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Limited Liability Company (LLC., Ltd./SARL)

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The following text is an extract from LCG's brochure "Business Luxembourg Company Formation".

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Your LCG Team

Limited Liability Company (LLC., LTD./SARL) in Luxembourg

I. Legal structure of a Limited Liability Company (LLC., Ltd./SARL)

1. Concept

A Limited Liability Company (LLC., Ltd./Société à responsabilité limitée, SARL) in Luxembourg is a corporation whose assets are, in principle, wholly liable for the company's liabilities.

2. Purpose

A Limited Liability Company (LLC., Ltd./SARL) in Luxembourg can be formed for the carrying on of commercial or non-commercial purposes. Notwithstanding this, insurance companies as well as financial sector companies are not permitted to be formed in the form of a Limited Liability Company (LLC., Ltd./SARL).

3. Formation

A Limited Liability Company (LLC., Ltd./SARL) in Luxembourg is formed through the recording of its articles of association by a notary and the subsequent publication thereof in the Official Bulletin (Mémorial C). Moreover, the articles of association will be lodged with Luxembourg's Trade and Companies Register. A Limited Liability Company (LLC., Ltd./SARL) in Luxembourg acquires legal personality following the notarial recording.

The shareholders of a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg may be natural or legal persons of which there must be at least 2 and no more than 40. Notwithstanding this, the formation of a single-person Limited Liability Company (LLC., Ltd./Société à Responsabilité limitée unipersonnelle) with a sole shareholder is possible. The provisions which apply to a Limited Liability Company (LLC., Ltd./SARL), essentially, equally apply to a single-person Limited Liability Company (LLC., Ltd./Société à Responsabilité limitée unipersonnelle). Moreover, the shareholders of a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg must always be registered in the Trade and Companies Register.

Every Limited Liability Company (LLC., Ltd./SARL) in Luxembourg is required to keep a register containing the founding documents as well as the names, occupations and places of residence of the shareholders as well as details on the transfer of shares.

4. Shares and minimum capital

4.1. Minimum capital

The minimum capital of a Limited liability Company (LLC., Ltd./SARL) in Luxembourg is 12,500 EUR

and must be contributed in full. The capital is divided into registered shares, each having the same value. The said value is required to be at least 25 EUR.

The capital of a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg may consist of non-cash contributions or of a combination of cash and non-cash contributions. In contrast to a Public Limited Company (PLC., Corp./SA) in Luxembourg, no valuation requires to be carried out on non-cash contributions by an independent auditor.

4.2. Transfer of shares

The shares of a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg are not freely transferable. Shares are only permitted to be transferred or sold to non-shareholders in notarised form and with the consent of the general meeting. At least 75% of the company's share capital must be represented at the said meeting. In the case where shares are transferred to fellow shareholders of a Limited Liability Company (LLC., Ltd./SARL), no such consent is required. A private contract in such cases will suffice.

A Limited Liability Company (LLC., Ltd./SARL) is not permitted to issue securities to the public; only the issuance of registered share certificates to specific persons is possible.

5. Company name

The company name of a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg is able to be freely chosen insofar as an examination of the Trade and Companies Register shows that the chosen name has not already been allocated. Moreover, the company name must end with the words "GmbH" or "SARL".

6. Organisation

The Limited Liability Company (LLC., Ltd./SARL) in Luxembourg is organised as follows:

6.1 General meeting

The general meeting is convened by the managing director(s) of a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg and consists of all shareholders. If the number of shareholders does not exceed 25, the holding of a general meeting annually is optional.

6.2 Managing director

A Limited Liability Company (LLC., Ltd./SARL) in Luxembourg is managed by one or more than one managing director. It is not required that the managing director(s) be a shareholder or resident in Luxembourg.

6.3 Supervision

An internal supervision is only mandatory if the number of shareholders exceeds 25. Where this number is exceeded, one or more than one commissaire requires to be appointed to carry out the

said supervision. It is not required that the commissaire be a shareholder. Notwithstanding the above, if a Limited Liability Company (LLC., Ltd./SARL) exceeds two of the following upper limits, its books require to be inspected by one or more than one independent auditor:

- a) A balance sheet sum of 3,125 million EUR
- b) A net turnover of 6,25 million EUR
- c) 50 full-time employees – taking the average for the year

7. Annual accounts

The annual accounts of a Limited Liability Company in Luxembourg (LLC., Ltd./SARL) consist of the balance sheet, the profit and loss account and the notes thereto. Following their approval by the shareholders, the annual accounts will be lodged with Luxembourg's Trade and Companies Register and will be subsequently published in the Official Bulletin (Mémorial C).

8. Dissolution

A Limited Liability Company (LLC., Ltd./SARL) in Luxembourg may be dissolved either through a resolution of the general meeting at which 75% of the company's share capital requires to be represented or through a court order.

II. Tax structure of a Limited Liability Company (LLC., Ltd./SARL)

1. Corporate taxation

Since January 1st, 2013, a Limited Liability Company (LLC., Ltd./SARL) in Luxembourg has been liable, as a corporation, to corporate taxation at an annual rate of 29.22%. The said rate consists of the following components:

1.1 Corporate income tax

In Luxembourg, the rate of corporate income tax on income exceeding 15,000 EUR is 21% (or at a rate of 20% on income of up to 15,000 EUR) and is increased by the solidarity surtax of 7%.

The minimum payment of corporate income tax for all Limited Liability Companies (LLC., Ltd./SARL) resident in Luxembourg which do not require a trade licence and the sum of their assets, securities and bank balance together exceed 90% of their balance sheet total is 3,210 EUR (3,000 EUR plus the 7% solidarity surtax).

1.2 Municipal business tax

All businesses resident in Luxembourg (e.g. trading-, industrial-, mining- or craft businesses) as well as the permanent establishments of foreign companies are subject to municipal business tax at a rate of 6.75%.

1.3 Withholding tax

The dividend distributions of Limited Liability Companies (LLC., Ltd./SARL) in Luxembourg are liable to withholding tax at a rate of 15%. Royalty and interest payments as well as proceeds from liquidation or partial liquidation are not liable to withholding tax in Luxembourg.

2. Net wealth tax

Limited Liability Companies (LLC., Ltd./SARL) in Luxembourg which have their registered office or place of central management and control in Luxembourg must pay net wealth tax on their total assets, namely assets within and outwith Luxembourg. However, for Limited Liability Companies (LLC., Ltd./SARL) not resident in Luxembourg, only assets within Luxembourg will be liable to the said tax. The annual rate of net wealth tax on taxable assets is 0.5%.

III. Effective structure of a Limited Liability Company (LLC., Ltd./SARL)

In Luxembourg, the legal form of the Limited Liability Company (LLC., Ltd./SARL) is predominantly preferred by medium-sized companies. This is particularly due to the low minimum capital as well as the fact that it is suited to all purposes (from the trading of goods to asset management).

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