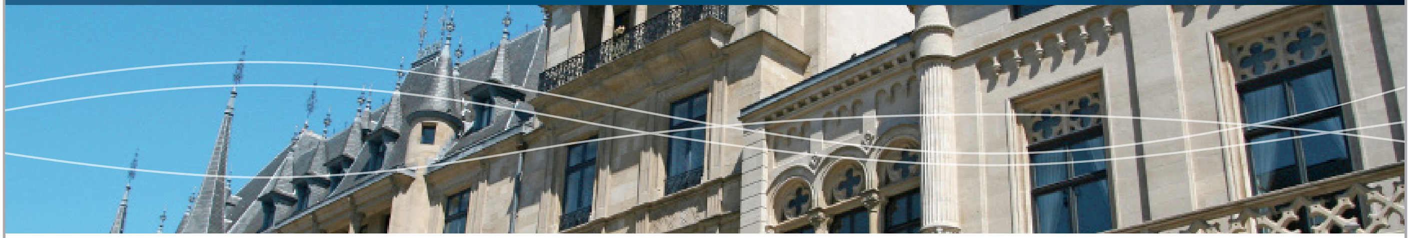
ocraworldwide™

Excellence in Global Corporate Services. Since 1975

DOING BUSINESS IN LUXEMBOURG



LUXEMBOURG BUSINESS SERVICES OVERVIEW

OCRA Worldwide offers effective business solutions for companies and entrepreneurs wishing to establish a presence in one of the world's leading international financial centres. The OCRA Worldwide team in Luxembourg has particular expertise that enables Small to Medium Enterprises and Multinationals to gain access to the many opportunities that Luxembourg has to offer, including:

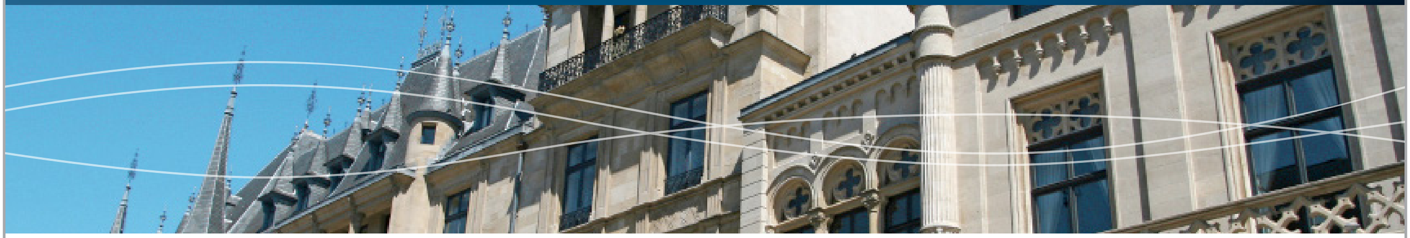
- Company formation and day-to-day management
- Physical presence and cubicle operations
- International tax planning
- Administration and Business Support Services
- Preparation of accounting records for Luxembourg companies
- Audit
- Tax compliance
- Restructuring of offshore and onshore companies

ABOUT LUXEMBOURG

Overview

Lying in the centre of Western Europe between Belgium, France and Germany, the Grand Duchy of Luxembourg covers an area of 2,586km2. It is one of the smallest Countries in Europe, but the countryside varies greatly, from the hilly Ardennes in the North, to a mineral rich and beautiful forest and farmlands in the South.

The Grand Duchy is an independent State and a founder member of the European Union. The location of the Duchy at the heart of the European Community provides easy access to some of Europe's largest financial and industrial centres, such as Paris, Frankfurt, Köln, Amsterdam, Brussels and Strasbourg. Traditionally, the country has followed an open economic policy promoting international trade which has attracted foreign capital investment in the Duchy evidenced by a number of significant treaties signed by Luxembourg with its neighbours, such as the Belgian-Luxembourg Union (1921) (implementing common trade between the two countries) and the Benelux economic co-operation treaty (1958) (signed with the Netherlands and Belgium), leading towards more advantageous economical unification.



The Economy

Luxembourg's reputation is as a trustworthy political and economic partner. The economic policy of Luxembourg is characterised by the highly professional and dynamic spirit of the country. Historically, the economy has been largely influenced by the steel industry. In the early 1970s the government made significant efforts to diversify the economy in order to avoid the risk of over-reliance on this one industrial sector and diversify and attract foreign multinationals. As a result of this reform, the economy of the country has been growing rapidly and nowadays relies on a much broader broad range of industries such as chemistry, plastics and synthetic materials, mechanics, machine construction, processing of ferrous, non-ferrous metals, supplying parts to the automotive industry, precision instruments, as well as a burgeoning glass industry. All these industries improve the competitiveness of Luxembourg on the international market.

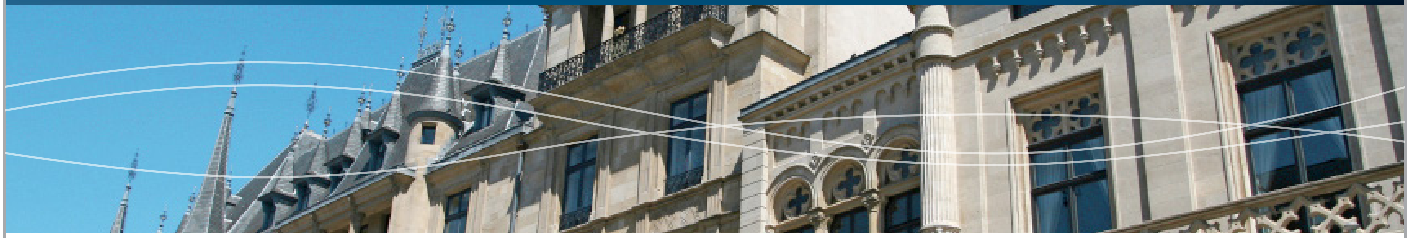
The most significant part of the Grand Duchy's economy is its flourishing financial sector which comprise of more than 200 banks, 1,900 investment funds and 20,000 holding companies. Luxembourg is considered to be one of the most important financial centres in Europe that offers the entire spectrum of financial services in both corporate and private banking. It is the third largest investment fund centre in the world.

A highly competitive tax regime, strict banking secrecy laws and international business environment have also made Luxembourg one of the leading locations for corporate headquarters and a highly suitable jurisdiction for holding companies. These holding companies are often very advantageous from a structural, administrative, financial and fiscal point of view. Insurance, private pension funds, securitisation and venture capital investment vehicles also represent a large part of the financial sector and as a result have increasingly become a main source of employment.

As a result of its continuous economical growth, Luxembourg residents have very favourable standards of living, with the one of the highest GDP (Gross Domestic Product) per inhabitant and the highest social welfare per head. There is low inflation, low unemployment and a balanced budget.

The Government

The country is a representative democracy in the form of a constitutional monarchy headed by the Grand Duke Henri. The role of the Duke, however, is largely ceremonial. In practice the country is governed by the Cabinet of Ministers who exercise the executive power and by the Parliament which represents the legislative power in Luxembourg. The Cabinet of Ministers includes the Prime Minister, who serves as head of government. The Prime Minister is the leader of the political party or coalition of parties having the most seats in Parliament, known as the Chamber of Deputies. The members of the Chamber of Deputies are elected to a 5-year term. A second body, the Council of State (Conseil d'Etat), is composed of 21 ordinary citizens appointed by the Grand Duke, which advises the Chamber of Deputies in the drafting of legislation. However, the Council's opinions have no binding effect.



The Grand Duchy is administratively divided into three districts, which are in turn divided into Cantons, Communes and Municipalities. Communes are administrative authorities possessing legal personality and administrating their patrimony. A Communal Council (Conseil Communal) is directly elected by the inhabitants. A Commune is administered by the mayor and the alderman (Collège des bourgmestres et échevins) chosen from the Communal councillors.

Laws, Regulations and Standards

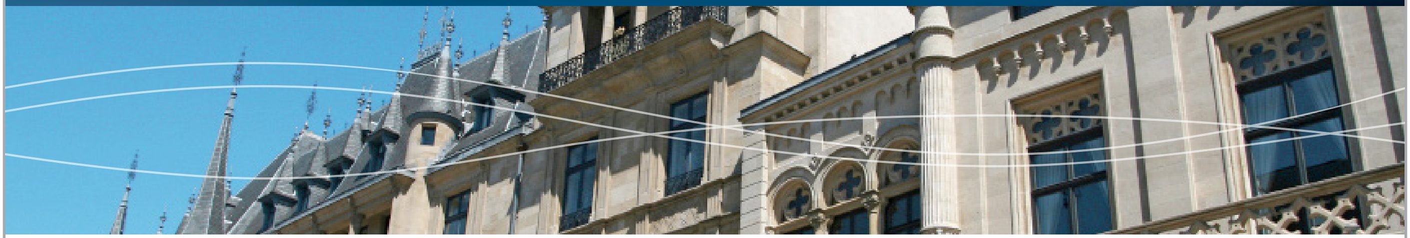
The legal system of the Grand Duchy is mainly based on the Roman law. The Luxembourg Constitution provides with the constitutional provisions of the Grand Duchy, the fundamental rights of individual citizens and the organization of public bodies. It is superior to the ordinary law and to executive regulations, which have to be conformed to the Constitution.

The Luxembourg legislation consists of laws, codes and regulations. Many laws are based on French or Belgian legislation. An increasing amount of legislation has its source in European Union regulations, directives and decisions.

The main individually compiled codes are the Civil Code, Commercial Code, Penal Code, Criminal Procedure and Civil Procedure Codes. Current legislation for Luxembourg is first published in the official gazette – Mémorial.

Facts and Figures

Official Name	The Grand Duchy of Luxembourg
Capital City	Luxembourg City
Other Main Cities	Esch-Sur-Alzette Differdange Dudelange
Population	537 039 inhabitants (January 2013);
Working Population	Approximately 44% of the population are foreigners, mostly from other EU Member States. Many cross border employees come to work in Luxembourg from neighbouring countries.
Unemployment Rate	5,95% (approximation for 2013)
Official Languages	French, German and Luxembourgish
Currency	Euro
Exchange Rate EUR	US $1.30
GDP	US $55.935 billion



GDP per Head	US $79,649
GDP Growth	0.3%
Inflation	2,0%
Exports	165% of GDP
Top Import Sources	Germany France Belgium UK Italy Spain Netherlands China
Top Export Markets	Germany France Belgium USA
Religions	Roman Catholic – 87% Protestant, Jewish, Islamic – 13%
Area Size	2,586km^2

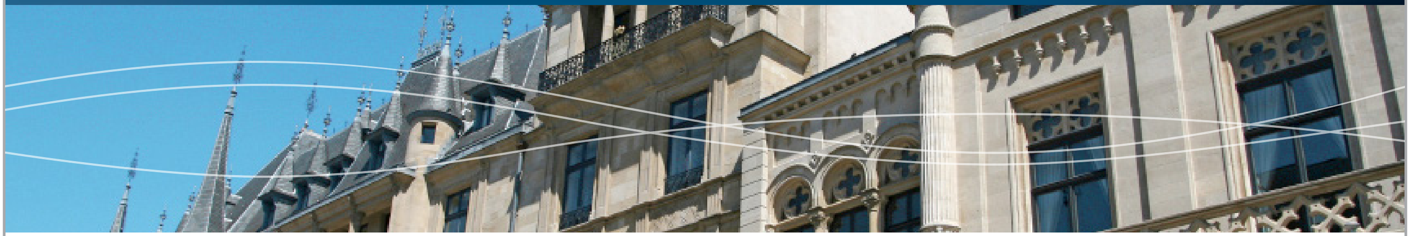
The People

Key Concepts

The population of the Grand Duchy is of approximately 540 000 inhabitants. The Luxembourgers are generally fluent in French, German and English in addition to their mother tongue, Luxembourgish. French is frequently used as the administrative and business language, with German also being considered as the administrative language, while English is widely spread and commonly used, especially in business circles.

This multilingualism is also a direct result of the relative small size of the country as well as its association with both France and Germany. When going abroad (which literally is not very far) the Luxembourgers have to speak other languages, simply because their own is not understood elsewhere.

It is hardly surprising therefore that many Luxembourgers speak several languages. For those wishing to work in the business areas of Luxembourg it is an essential to speak at least one foreign language.

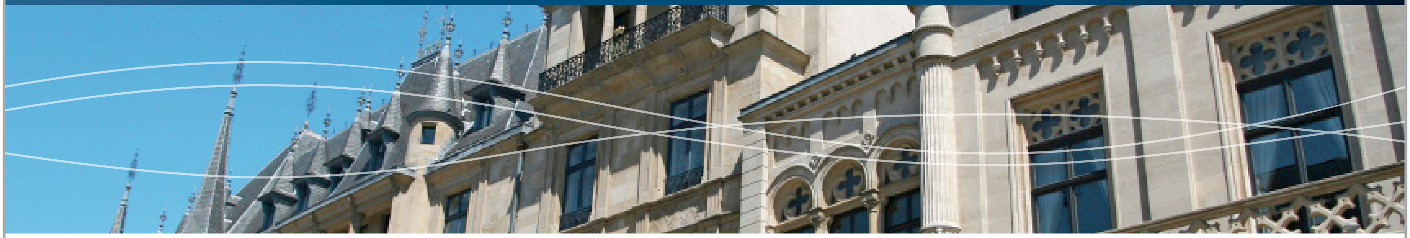


The Luxembourgers are known for their politeness and intelligence. In addition to their multilingual skills the Luxembourg people have other professional qualities such as punctuality, perseverance, practical approach to business and a capacity for work. Cosmopolitanism and diversity of cultures may also be considered to be the main characteristics of the Luxembourgers.

On other hand, Luxembourgers are careful and prudent. They take time before they trust people and approach getting to know you in a deliberate, measured manner, which cannot be rushed.

Business Practice and Etiquette

- The average working week is from 09am to 6pm.
- Appointments should be made 1 to 2 weeks in advance and punctuality is highly emphasised. Meetings adhere to strict timetables.
- In general, the Luxembourg business etiquette is very formal. It is common in Luxembourg business to address partners by their honorific titles, Monsieur or Madame, and their surname.
- Luxembourgers compartmentalize their business and personal lives.
- Building a successful relationship with Luxembourg businesses requires a sincere interest in the country and the people.
- Luxembourgers expect prompt replies to requests for information, price quotes and terms.
- Foreigners who are fluent in the country's languages are well respected.
- Business attire is formal.
- Greetings are reserved and formal until a relationship has been established. The most common greeting is a brief handshake.
- This is a hierarchical culture, so it is crucial that you show proper respect and deference to those who have attained positions of importance.

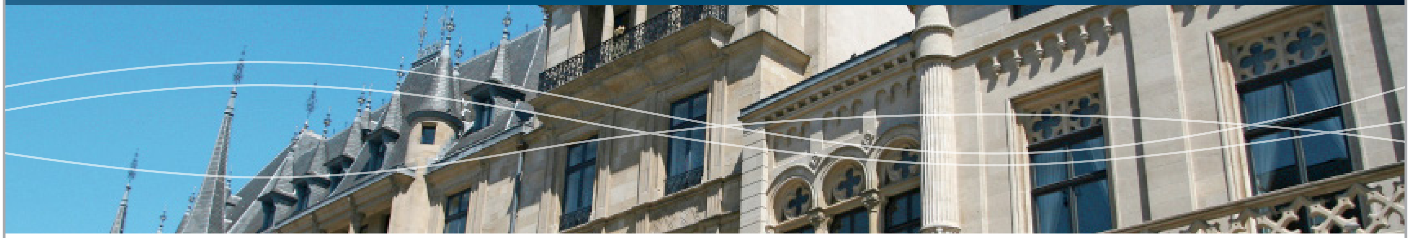


SETTING UP A BUSINESS IN LUXEMBOURG

The Luxembourg corporate legislation defines six forms of entity through which business can be carried out from Luxembourg. Each of these 6 forms has a legal personality distinct from that of its members. The choice of legal form depends on economic and legal considerations (e.g. the extent of members' liability, the extent to which shares are transferable, etc). No company may adopt a name giving rise to confusion with that of an existing company.

The principal forms normally used are:

- *Société en Nom Collectif (SENC)*, considered to be a partnership, which may be formed by two or more persons all of whom are personally, jointly and indefinitely liable for the partnership's debts. In principle, shares of an SENC are not normally transferable, though the articles of association may provide for departures from this rule.
- *Société en Commandite Simple (SECS)* or limited partnership, which is formed by one or more partners (the "general partners") who are jointly and indefinitely liable for the partnership's debts and by one or more "limited partners" whose liability, is limited to their contribution. Both SENC and SECS are not subject to tax in their own name, but to personal income tax which is payable by the partners to the extent of their share in the partnership's income.
- *Société Anonyme (SA)*, considered to be the equivalent of the public limited company whose members are liable only to the extent of their contribution in the company's capital.
- *Société à Responsabilité Limitée (SARL)* or the private limited liability company.
- *Société en Commandite par Actions (SCA)* or the partnership limited by shares. The SCA is comparable to the limited partnership (SECS), the only difference being that the limited partners' shares are freely transferable.
- *Société Coopérative (SC)* or the cooperative company whose members' responsibility may be limited by the statutes of the company to a certain amount. Shares of an SC are not transferable to third parties.



In practice, the SA and SARL have proved to be the most popular. The main features of these two corporate forms are presented in the summary table below:

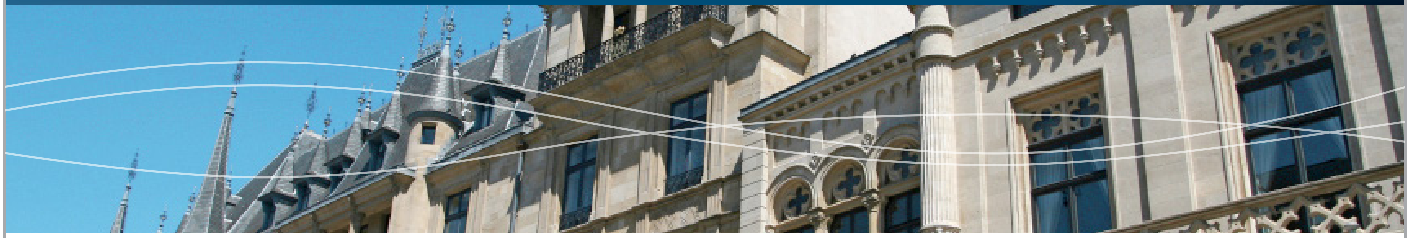
	Société Anonyme / Public Limited Liability Company	**Société à Responsabilité Limitée / Private Limited Liability Company**
Formation	By notary	By notary
Minimum subscribed capital	€ 31,000	€ 12,500
Minimum paid-up capital	25%	100%
Currency of the share capital	Any	Any
Number of shareholders	1 minimum	1 to 40
Legal form of the shareholders	Individual or legal entity	Individual or legal entity
Type of shares	Registered or bearer	Registered
Management	Board of directors (1 if 1 shareholder, 3 otherwise)	Director(s) (minimum 1)
Residence requirements for managers	None	None
Annual shareholder's meeting	1 per year	If more than 25 associates
Accounts	Once per year and submitted to Registrer	Once per year and submitted to Registrer
Auditor	Required	Required if more than 25 associates
Audit	If size of the company requires it	If size of the company requires it
Report	Required	Not required

Trade Permit

The Luxembourg constitution of 1868 guarantees to every citizen the freedom of trade and industry, as well as the freedom to establish a business.

However, in the interest of industry and commerce and in order to guarantee the administrative supervision of the business environment of the country, local legislation lays down some specific conditions for access to and exercise of trades and occupations.

Under the law of 28 December 1988, a government permit is required for any industrial or trade activity to be carried out in Luxembourg. The permit is issued by the Ministry of Middle Classes based on the applicant's professional qualifications and good standing. The permit is strictly personal, and cannot be transferred to other persons. Legal entities, including partnerships, must apply in the same way as physical persons, demonstrating necessary professional qualifications and good standing of the firm's management.



TAXATION

Corporate Income Tax

Corporate income tax applies to all resident companies and to Luxembourg permanent establishments of foreign companies. Resident taxpayers are liable to tax on their world-wide income, unless income is exempted under the provisions of applicable double tax treaties. Non-resident taxpayers are liable to tax only on their Luxembourg sourced income. A company is considered to be a resident tax payer if its place of management is located in Luxembourg.

Corporate income tax includes two taxes applicable to the profits of a company:

- Corporate income tax (l'impôt sur le revenue des collectivités) at the rate of 21% for companies whose taxable income exceeds EUR 15,000, or 20% otherwise. Taxes are increased by a 1,05% contribution to the unemployment fund.
- Municipal business tax (l'impôt commercial communal) rates from 6% to 10.5%, depending on the location. The rate in Luxembourg City is 6.75%.

Withholding Tax

A withholding tax of 15% is levied on dividend payments, unless the double tax treaties provide for lower rates or the Luxembourg participation exemption is applicable (see below). Interest, royalties and liquidation proceeds are not subject to withholding tax.

Net Worth Tax

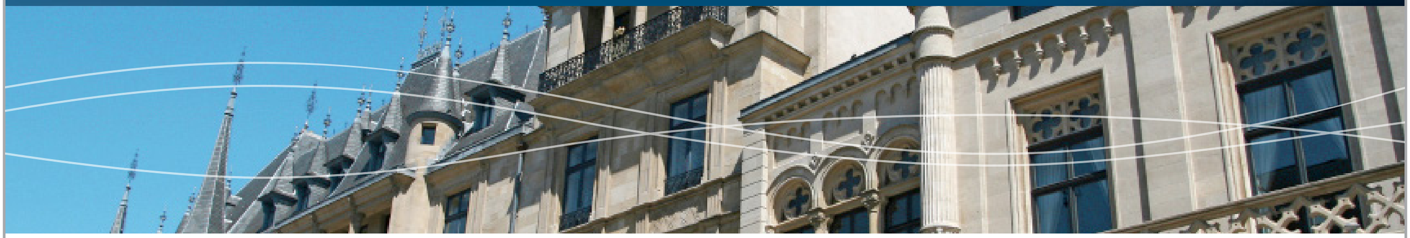
Net wealth tax of 0.5% is levied annually on total net assets. It may be reduced if the company maintains for five years a specific reserve amounting to five times the amount of corporate income tax. Assets qualifying for the IP regime are exempt from net worth tax.

Capital Duty

Luxembourg does not levy capital duty. A fixed registration fee of €75 is levied at the incorporation of companies. This fee is also levied each time the articles of association are amended.

Double Tax Treaties

Up until now, Luxembourg has signed bilateral taxation treaties with more than 50 countries. This tax treaties' network is constantly expanded. The complete list of the double tax treaties signed by Luxembourg is attached towards the end of this brochure.



Tax	Rate
Corporate Income Tax	Corporation Tax (max. of 22.05%) + Municipal business tax (can rate from 6% to 10.5%)
Withholding Tax - Dividends - Interests & Royalties	 15% 0%
Net Wealth Tax	0.5%

Holding Companies

There are two most usual types of Luxembourg Holding Companies:

1. Luxembourg companies qualifying for the participation exemption regime that are usually referred to as SOPARFI *(Société de Participation Financière)*
2. Private Family Asset Holding Company *(Societe de gestion de patrimoine familial – SPF)*

Mentioned holding types are not special legal entities. They can be formed as SA, SARL, SCA and even as cooperatives SC (SOPARFI, however, may not take the last form). In practice, the large majority of Luxembourg holding companies are constituted as a SA or a SARL.

SOPARFI

The SOPARFI is fully taxable commercial company and it can perform activities other than holding shares, including commercial, industrial or financial activities. However, the Luxembourg tax code provides SOPARFI for some special tax regime, referred to as the participation exemption. Under this regime, the following tax advantages are available for SOPARFI:

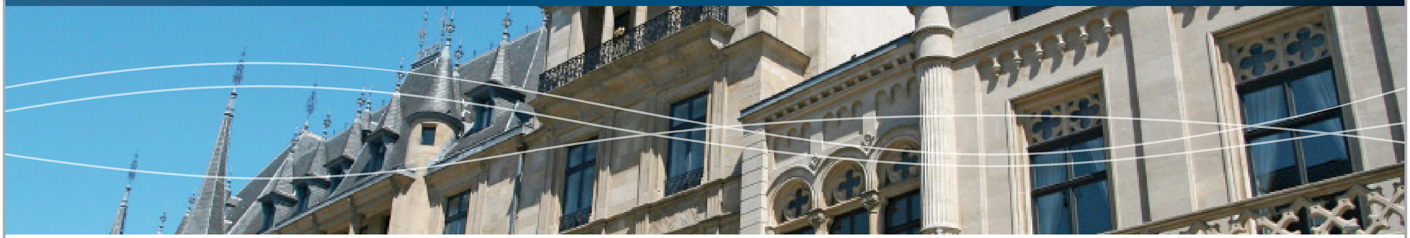
- Tax exemption on dividends, capital gains and liquidation proceeds
- Net wealth tax exemption on investments
- No withholding tax or reduced rates under double tax treaties on distribution of dividends

The conditions, which must be met in order to qualify for the exemption, are summarised below.

Dividends, Capital Gains and Liquidation Proceeds

Dividends, capital gains and liquidation proceeds received by the SOPARFI from any non-resident company are fully exempt from income tax if the following conditions are fulfilled:

- If SOPARFI owns at least 10% of the share capital of the distributing company or the acquisition cost of the shareholding is at least € 1,2 millions. If a reserve is indicated for the next five tax years, the assets tax can be lowered by 1/5 of this reserve.



- The shareholding is held for a straight 12 month period. This period does not need to be completed at the time of the distribution of the dividends if the SOPARFI commits itself to eventually hold the participation for the required period
- The distributing company s a resident corporation subject to unconditional taxation and/or a corporation based in an EU member state which falls under the area of application of the Directive 90/435/EEC; OR it is a resident operation of a European company in the context of the Directive 90/435/EEC and/or it is a resident operation of a holding company based in a country with which Luxembourg has signed a double-taxation agreement

Net WorthTax

If the participation meets the conditions mentioned above it is also exempt from net worth tax in Luxembourg.

Withholding Tax

Dividends distributed by the SOPARFI to its shareholder are exempt from withholding tax in Luxembourg if the shareholders himself meets the conditions provided for SOPARFI (see above).

SPF – Private Family Asset Holding Company

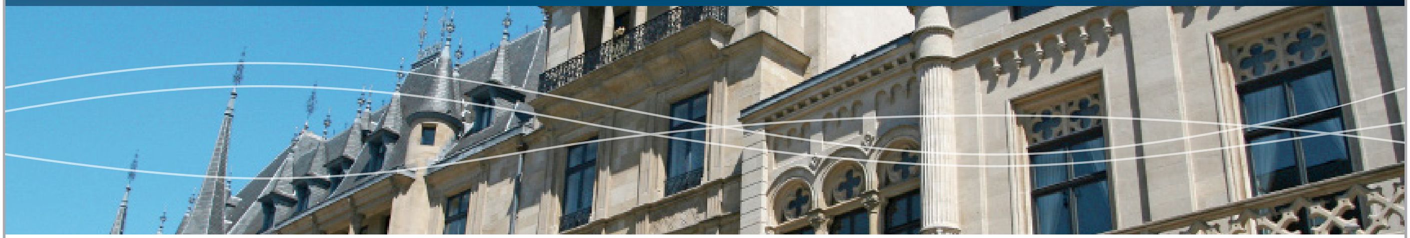
The regime “SPF” can be chosen by a company whose form must be:

- Sárl: capital 12,500 Euro, one associate, one director
- SA: capital 3,000 Euro (including at least 1/4 paid in), at least one shareholder and one director, one auditor
- SCA: capital 31,000 Euro (including at least 1/4 paid in), at least two shareholders and three directors, one auditor
- COOPSA: Co-operative Company having adopted the Form of a Limited company, at least three associates, 3 directors

Dividends, Capital Gains and Liquidation Proceeds

The activity is strictly limited to acquisition, detention, management and realisation of financial assets such as: Shares, obligations, shares of quoted companies or private companies, securitisation funds, SOPARFI shares, variable capital companies, investment funds, etc.

The SPF cannot carry out commercial deals, hold building, intellectual rights or carry on an activity of management, trade or financial services.



Dividend distributions by an SPF are not subject to withholding tax. Capital gains and liquidation proceeds realised by non-resident investors in a SPF are tax exempt in Luxembourg even if they are short term gains or proceeds.

An SPF is exempt from corporate income tax, municipal business tax and net wealth tax. However, an SPF loses its tax-exempt status (for a given year) if it receives more than 5% of its dividends from a non-resident company, which is not listed on a stock-exchange and which is not subject to income tax comparable to Luxembourg corporate income tax (at least 10.5%).

VAT

An SPF is not subject to VAT but is subject to all other direct and indirect taxes (for example, registration duties and payroll tax).

Subscription Tax

An SPF is subject to an annual subscription tax of 0.25% of the paid-up capital at a minimum of €100 and a maximum of €125,000 per year. The taxable basis for the subscription tax is the paid-up capital increased by the share premium. The taxable basis is increased by any debt exceeding eight times the paid-up capital plus the share premium. The subscription tax is levied on a quarterly basis.

Benefits from Double Tax Trities and EU Directives

The SPF is excluded from double tax treaty benefits, and can not benefit from the EU parent-subsidiary directive as it is exempt from Luxembourg income tax.

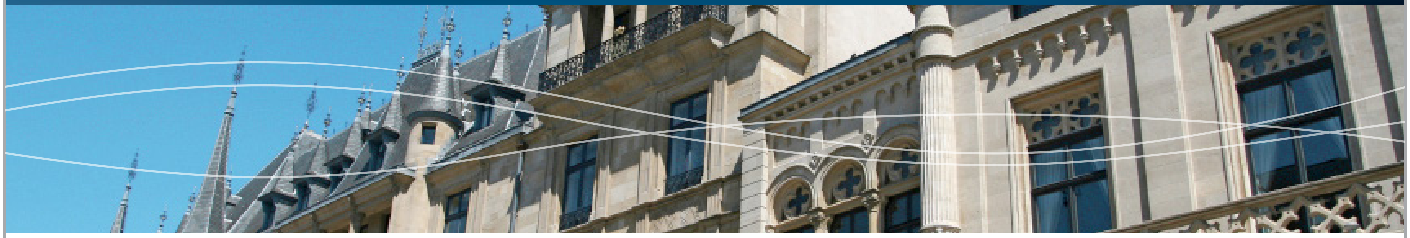
SICAR

The SICAR (Société d'Investissement en Capital à Risque) is a regulated entity whose sole objective is to invest in private equity or risk capital.

A SICAR is fully subject to tax and benefits from Luxembourg's extensive treaty network. There are no restrictions on the type of investment, payment of dividends or redemption of shares as well as risk diversification.

There is a minimum share capital of €1 million that must be reached within 1 year period after the approval of the SICAR.

Income from securities and gains from the sale, redemption or liquidation of assets are exempt from tax. Nevertheless, all non-investment income generated by the SICAR is taxable. The SICAR is subject to a maximum fixed duty of €1,250. No wealth tax or annual subscription tax is levied.



Non-resident investors are not subject to tax on capital gains from disposal of shares in the SICAR. Also, no withholding tax is applied on payment of dividends or interest by the SICAR, even in case where no tax treaty applies. Distributions on liquidation procedures are made free of tax.

Due to the high degree of risk, investment is reserved by law to institutional or "well informed" investors.

In accordance with the law, the following investors may be regarded as well-informed:

- Institutional investors, which under certain guidance would include banks, insurance companies, pension funds, commercial companies, investment funds and certain holding companies
- Professional investors defined as "a client who possesses the experience, knowledge and expertise to make its own investment decisions and properly assess the risks that it incurs"
- Any other investor who cumulatively a) has confirmed in writing that he adheres to the status of well-informed investor AND b) invests a minimum of Euro 125,000 in the company

The registered office and administration of the SICAR must be located in Luxembourg.

Personal Income Tax

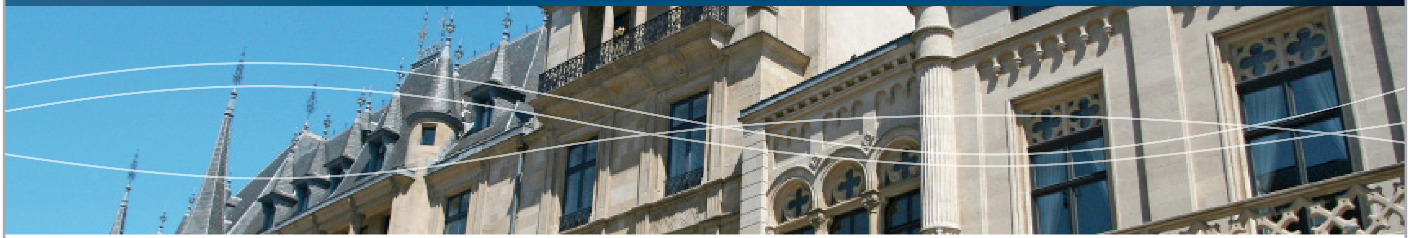
Resident taxpayers of Luxembourg are liable to personal income tax on their worldwide income while non-residents are subject to tax on their Luxembourg-source income only.

Luxembourg income tax law takes into account only 8 categories of income for the determination of total taxable income, including income from trading and business, employment, pensions and annuities, capital and investment, rentals and leases and sundry net income.

Personal income tax rates are progressive varying from 0% to 40%. Income taxation is based on the personal situation of the taxpayer (e.g. family status, number of children, etc). Married couples are taxed jointly.

Dividends and interests received by a resident taxpayer from a resident or non-resident company are also subject to progressive income rate. However, a 50% tax exemption can be obtained on dividends received from a taxable resident company, a company resident in an EU Member state or a State that has concluded a tax treaty with Luxembourg.

Capital gains on the sale of the taxpayer's main residence are tax exempt while the capital gains received from the sale of other real state are normally taxable at the progressive tax rate if the disposal takes place within 2 years of acquisition and at the reduced tax rate after 2 years of acquisition. Under specific conditions, taxation of capital gains can be differed.



Regular Social Security Contributions

Mandatory social security contributions consist of an employers and an employee's portion. These contributions cover pension and health insurance. Contributions for pension, illness, accident and health are computed based on the annual gross remuneration of 11,05% for employees and 12,67% - 14,90% for employers.

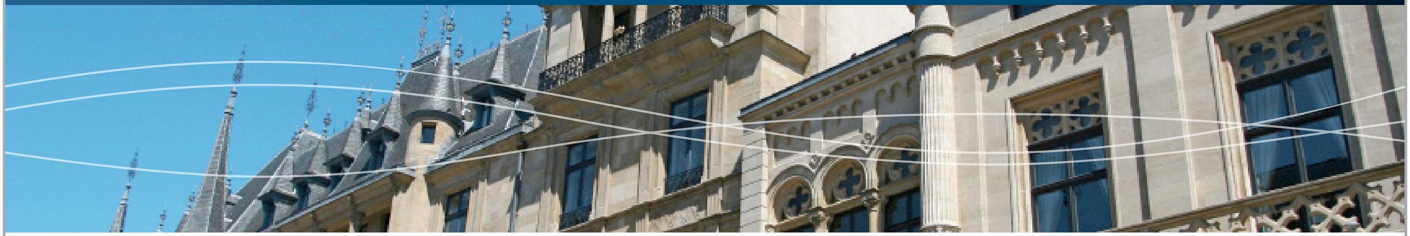
The rate of the social contributions for self-employed individuals is approximately the same as for employers and employee combined.

Inheritance and Gift Taxes

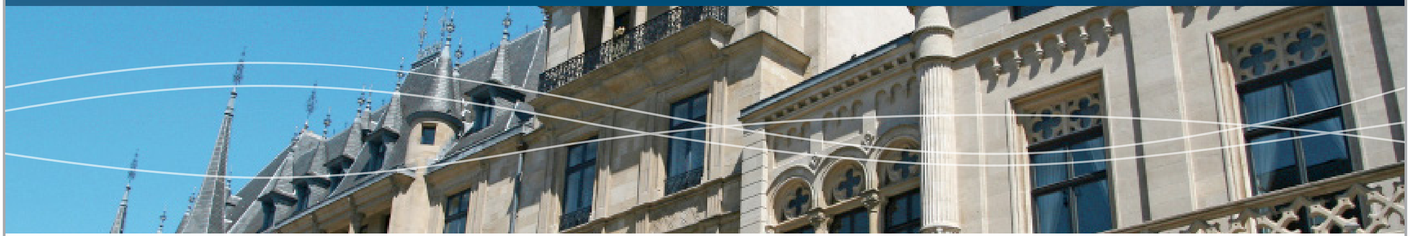
The inheritance tax is calculated based on the market value of the entire net estate of a deceased at the time of his death. The tax rate varies from 0% to 40% depending on the degree of parentage. Gifts and donations are tax deductible if total yearly gift amount from €120 up to €1,200.

List of Double Tax Treaties signed by Luxembourg

Treaties	Dividends	Substantial Holdings	Interest	Royalties
Armenia	15	5	10	5
Austria	15	5	-	0/10
Azerbaïdjan	10	5	10	5/10
Belgium	15	10	0/15	0
Brazil	25	15	-/15	15/25
Bulgaria	15	5	0/10	5
Canada	15	0/5	0/10	0/10
China, P.R	10	5	0	6/10
Czech Republic	15	5	0	0/10
Denmark	15	5	0	0
Estonia	10	5	0/10	5/10
Finland	15	5	0	0/5
France	15	5	10	0
Georgia	10	0/5	0	0
Germany	15	10	0	5
Greece	7.5	7.5	8	5/7
Hong Kong	10	0	0	3
Hungary	15	5	0	0
Iceland	15	5	0	0
India	10	10	10	10
Indonesia	15	10	10	12.5
Ireland	15	5	0	0
Israël	15	5	5/10	5
Italy	15	15	10	10



Japan	15	5	10	10
Kazakhstan		5/10	0/10	0/10
Korea (Rep. of)	15	10	10	10/15
Latvia	10	5	10	5/10
Lithuania	15	5	10	5/10
Malaysia	10	0/5	10	8
Malta	15	5	0	10
Mauritius	10	5	0	0
Mexico	15	5	0/10	10
Moldova	10	5	0/5	5
Mongolia	15	5	0/10	5
Morocco	15	10	10	10
Netherlands	15	2.5	0/2.5/15	0
Norway	15	5	0	0
Poland	15	5	0/10	10
Portugal	15	15	10/15	10
Romania	15	5	10	10
Russia	10/15	10	0	0
San Marino	15	0	0	0
Singapore	10	5	10	10
Slovak Republic	15	5	0	0/10
Slovenia	15	5	5	5
South Africa	15	5	0	0
Spain	15	5	10	10
Sweden	15	0	0	0
Switzerland	15	0/5	0/10	0
Thailand	15	5	10/15	15
Trinidad & Tobago	10	5	0/7.5/10	10
Tunisia	10	10	7.5/10	12
Turkey	20	5	10/15	10
United Arab Emirates	10	5	0	0
United Kingdom	15	5	0	5
United States of America	15	0/5	0	0
Uzbekistan	15	5	0/10	5
Vietnam	15	5/10	7/10	10



WHO TO CONTACT

The OCRA Worldwide Group has a presence spanning every continent in the world with offices in 20 locations. We are open 24/7 around the world, speak many languages and are in tune with the world's many cultures, but above all else 'our business' is about people and we have people to serve you! If you have read this document and found something that relates to your circumstances, then be assured that we are dedicated to the delivery of business solutions designed to reduce costs and maximise profits.

The consulting office for doing business in this country follows below.

Should you prefer to deal with another of our offices, please visit our website at www.ocra.com for a full listing of office contact details.

JOAO FERREIRA

Managing Director

Joao Ferreira is a qualified public accountant in Luxembourg and has a Masters degree in Economics. He is Managing Director of OCRA Luxembourg and is responsible for day to day operations.

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