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INVEST

FOREIGN DIRECT INVESTMENT

Luxembourg offers a business climate favorable to foreign investment, with a very attractive tax system. According to UNCTAD's [World Investment Report 2023](#), FDI inflows were negative by USD 322 billion in 2022, owing to a large withdrawal of capital by a telecommunication MNE operating in Luxembourg. In the same year, the total stock of FDI stood at USD 1.15 trillion, more than 14 times the country's GDP. According to figures from OECD, half of the 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 among the world's largest investors, with an outward FDI stock of USD 1.62 trillion in 2022 (UNCTAD). According to the latest figures from OECD, in the first six months of 2023, FDI inflows to the country were negative by USD 61.4 billion, compared to USD -28.8 billion in the same period one year earlier.

According to the World Economic Forum (WEF), the country ranks 20th on the [Global Competitiveness Index 2023](#). The government of Luxembourg has established some measures 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. Luxembourg has long been considered a tax haven, though in recent years it has taken steps related to the process of harmonization 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. On 1 September 2023, the Luxembourg Act of 14 July 2023 enters into force, establishing a national screening mechanism for foreign direct investments that are likely to affect security or public order. The Act imposes regulations on non-EU/EEA investors seeking to invest in Luxembourg-based entities operating in critical sectors such as energy, health, defense, finance, telecoms, data, media, and agri-food industries within Luxembourg. To comply with the Regulation, the Act mandates a prior notification process and screening procedure, along with enforcement mechanisms in instances of non-compliance with the prior notification obligation or screening decisions. Finally, the Grand Duchy ranks 21st among the 132 economies on the [Global Innovation Index 2023](#) and 5th out of 184 countries on the latest [Index of Economic Freedom](#).

Foreign Direct Investment	2020	2021	2022
<b>FDI Inward Flow</b> <i>(million USD)</i>	9,839	25,123	-322,054
<b>FDI Stock</b> <i>(million USD)</i>	1,525,769	1,515,850	1,155,324
<b>Number of Greenfield Investments*</b>	25	34	41
<b>Value of Greenfield Investments (million USD)</b>	732	675	489

Source: UNCTAD - Latest available data.

Note: \* Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	Luxembourg	OECD	United States	Germany
<b>Index of Transaction Transparency*</b>	6.0	6.5	7.0	5.0
<b>Index of Manager's Responsibility**</b>	5.0	5.3	9.0	5.0
<b>Index of Shareholders' Power***</b>	4.0	7.3	9.0	5.0

Source: Doing Business - Latest available data.

Note: \*The Greater the Index, the More Transparent the Conditions of Transactions. \*\*The Greater the Index, the More the Manager is Personally Responsible. \*\*\* The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

## WHAT TO CONSIDER IF YOU INVEST IN LUXEMBOURG

### Strong Points

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)

### Weak Points

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.

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## INVESTMENT OPPORTUNITIES

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### Tenders, Projects and Public Procurement

[Tenders Info](#), [Tenders in Luxembourg](#)

[Ted - Tenders Electronic daily](#), [Business opportunities in EU 27](#)

[DgMarket](#), [Tenders Worldwide](#)

### Finding Assistance For Further Information

#### Investment Aid Agency

[Luxembourg Trade & Invest](#)

[Economic Development Agency \(IDELUX\) \(french\)](#)

#### Other Useful Resources

[Guichet.lu \(for businesses\)](#)

#### Doing Business Guides

[Doing business in Luxembourg - Moore Stephens](#)

[Doing Business in Luxembourg - UHY](#)

[Doing Business in Luxembourg - World Bank](#)