



**ATLAS**  
BY BNP PARIBAS

**CASH MANAGEMENT**

[www.cashmanagement.bnpparibas.com/cg](http://www.cashmanagement.bnpparibas.com/cg)



**BNP PARIBAS**

The bank  
for a changing  
world

# Disclaimer

This document has been prepared by BNP PARIBAS for informational purposes only. Although the information in this document has been obtained from sources which BNP PARIBAS believes to be reliable, we do not represent or warrant its accuracy, and such information may be incomplete or condensed. This document does not constitute a prospectus or solicitation.

All estimates and opinions included in this document constitute our judgement as of the date of the document and may be subject to change without notice. Changes to assumptions may have a material impact on any recommendations made herein.

This document is confidential and is being submitted to selected recipients only. It may not be reproduced (in whole or in part) to any other person without the prior written permission of BNP PARIBAS.

**Make sure to always check the latest updates on the [Atlas website](#)**

Luxembourg has one of the highest GDP per capita in the world. Luxembourg is a major financial hub and many European Union institutions are located there. The large current account surplus stems from the particular growth model of a country based on an efficient financial sector, which has weathered the 2008-2009 crisis well.

Risks to domestic financial stability due to the size of Luxembourg's financial sector are mitigated by the fact that the sector is well capitalised, liquid, diversified and specialised. However, greater risk-taking and pending changes in global corporate taxation represent a downside risk. Another vulnerability stems from the fact that the healthy fiscal metrics (a public debt ratio limited to 25% of GDP) are highly dependent on the growth model. More recently, rising real estate prices and elevated household indebtedness have appeared on the radar screen.

The very small, very open economy of Luxembourg makes growth structurally more volatile than for larger economies. In 2019, real GDP grew by 2.3%, below the rate observed in recent years (3.6% on average per year since 2013), but still 1-ppt above the euro area average. At -1.3%, the contraction in GDP in 2020 is one of the least severe among the Eurozone countries.. The European Commission expects real GDP growth of 4.8% in 2021 and of 3.3% in 2022.

## Summary

### BNP Paribas presence

BNP Paribas BGL is a market leader in Luxembourg with 4,000 employees locally, a substantial business centre and direct market clearing access. BNP Paribas provides full service capabilities for retail and institutional customers across all major business lines, including cash management, trade finance and FX & interest rate hedging.

## Currency

### Currency

- Luxembourg uses the euro (EUR).

### Exchange rates

	2015	2016	2017	2018	2019	2020
Exchange rate EUR per USD	0.9017	0.9040	0.8873	0.847	0.893	0.88

Source: IMF, International Financial Statistics, July 2021.

## Central Bank

- Luxembourg's central bank is the Banque Centrale du Luxembourg (BCL – [www.bcl.lu](http://www.bcl.lu)).
- The Banque Centrale du Luxembourg is a member of the European System of Central Banks (ESCB) and operates certain activities, such as issuing currency, under the authority of the European Central Bank (ECB – [www.ecb.europa.eu](http://www.ecb.europa.eu)).

### Bank Supervision

- In November 2014, the ECB, via the Single Supervisory Mechanism (SSM), assumed responsibility for supervising the financial stability of banks operating within the euro zone. However, while the ECB has final supervisory authority over all banks operating within the euro zone, it will only directly supervise those banks classified as 'significant' under the terms of the SSM (115 significant banking groups have been recognized to date). 'Less significant' banks will continue to be supervised by the national supervisory authority, i.e. the Financial Sector Supervisory Authority (Commission de Surveillance du Secteur Financier (CSSF) – [www.cssf.lu](http://www.cssf.lu)).

## Bank accounts

### Resident / non-resident status

- A company is generally considered resident in Luxembourg if its place of effective management or legally registered office is located there.

### Bank accounts for resident entities

	Within LUXEMBOURG	Outside LUXEMBOURG

Local Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
Foreign Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible

## Bank accounts for non-resident entities





	Within LUXEMBOURG	Outside LUXEMBOURG
Local Currency	Permitted without restriction, fully convertible	Permitted without restriction, fully convertible
Foreign Currency	Permitted without restriction, fully convertible	Not applicable

## Lifting fees



- Lifting fees are applied on payments between resident and non-resident accounts.

## BNP Paribas Cash Management Capabilities











### Collections

Cash collections	
Cheque collections	
Direct debit collections	
Domestic incoming transfers	
Virtual IBAN	
Virtual accounts	






International incoming transfers	
Card acquiring	

## Payments

Cash withdrawals	
Cheque payments	
Direct debit payments	
Domestic outgoing transfers	
Commercial cards	
Virtual cards	
International outgoing transfers	
SWIFT gpi	
Real-time international payments through BNP Paribas' network	
Card issuing	

## Channels

Local e-Banking	
Global e-Banking - Connexis	
SWIFT/ host to host	

### Market overview

Electronic credit transfers remain the most popular payment method for business-to-business payments, representing 99% of cashless payment values in Luxembourg. Card payments, using both credit and debit cards, are widely used by consumers for low-value payments. The use of other electronic payment channels is increasing, with both mobile and internet banking growing in popularity. The Digicash by Payconiq mobile wallet is used by over 25% of the population of Luxembourg.

Electronic banking services are available from all banks. Domestic companies primarily use MultiLine. MultiLine supports the EBICS (Electronic Banking Internet Communication Standard). Electronic invoicing is also available: Saferpay is an e-payment solution which enables secure online retail purchases and bill payments. Larger companies have access to SWIFT for Corporates.

All the country's leading commercial banks provide online and mobile banking services. Online and mobile banking services are available and widely used.

### Payment Systems

TARGET 2-LU	TYPE	<ul style="list-style-type: none"><li>• Real-time gross settlement.</li><li>• Luxembourg's component of the pan-European <a href="#">TARGET2</a> system.</li></ul>
	PARTICIPANTS	<ul style="list-style-type: none"><li>• 34 direct, 25 indirect.</li></ul>
	TRANSACTION TYPES PROCESSED	<ul style="list-style-type: none"><li>• High-value and urgent EUR-denominated domestic and cross-border credit transfers.</li><li>• Net obligations from the STEP2 payment system.</li></ul>
	OPERATING HOURS	<ul style="list-style-type: none"><li>• 07:00-18:00 CET, Monday to Friday.</li></ul>
	CLEARING CYCLE DETAILS (eg cut-off times)	<ul style="list-style-type: none"><li>• Payments are cleared and settled in real time.</li><li>• Customer payment cut-off time = 17:00 CET.</li><li>• Interbank payment cut-off time = 18:00 CET.</li></ul>
	SYSTEM HOLIDAYS	<ul style="list-style-type: none"><li>• <a href="#">TARGET2</a> is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.</li></ul>

STEP 2	TYPE	<ul style="list-style-type: none"> <li>Multilateral <a href="#">net settlement system</a>.</li> </ul>
	PARTICIPANTS	<ul style="list-style-type: none"> <li>8 direct.</li> </ul>
	TRANSACTION TYPES PROCESSED	<ul style="list-style-type: none"> <li>SEPA payments (credit transfers and direct debits), both domestic and cross-border.</li> </ul>
	OPERATING HOURS	<ul style="list-style-type: none"> <li>24 hours a day, Monday to Friday.</li> </ul>
	CLEARING CYCLE DETAILS (eg cut-off times)	<ul style="list-style-type: none"> <li>Payments are cleared and settled in batches.</li> <li>SCTs. Cut-off time = 16:00 CET for same-day settlement.</li> <li>SCTs. Cut-off time = 21:00 CET for overnight settlement.</li> <li>SCTs. Cut-off time = 01:00 CET for next-day settlement.</li> <li>Consumer (CORE) SDDs. Cut-off time = 11:00 CET for same-day settlement.</li> <li>B2B SDDs. Cut-off time = 12:00 CET for same-day settlement.</li> </ul>
	SYSTEM HOLIDAYS	<ul style="list-style-type: none"> <li>STEP2 is closed on all <a href="#">TARGET2</a> holidays.</li> <li><a href="#">TARGET2</a> is closed at weekends and on 1 January, Good Friday, Easter Monday, 1 May, and 25 and 26 December.</li> </ul>

## Credit transfers

- Credit transfers are used by companies to pay salaries and suppliers, and to make tax and treasury payments. They are also used to make benefit payments and interbank payments.
- SEPA credit transfers can be settled via STEP2 or correspondent banking networks.
- Approximately 66 banks in Luxembourg participate in the SEPA credit transfer scheme.
- Banque Raiffeisen's incoming and outgoing domestic and cross-border SCTs are processed by the Netherlands-registered company, Equens SE.
- High-value and urgent EUR-denominated domestic and cross-border (within the euro zone) credit transfers can be settled in real time via TARGET2-LU.
- High-value and urgent cross-border credit transfers can also be settled with end-of-day value via the Euro Banking Association's EURO1 system. Seven banks in Luxembourg participate directly in EURO1.
- Cross-border transfers can be made via SWIFT and settled through correspondent banks abroad and/or bank branch networks.
- In November 2017, the European Payment Council's SCT Inst scheme (a pan-European 24/7 instant payment scheme for SEPA credit transfers) went live across all SEPA countries. The scheme enables the transfer of funds (the maximum threshold value for SCT Insts is EUR 100,000, as of July 2020) to another account in less than ten seconds. There are seven SCT Inst participants in Luxembourg at present.



- EBA Clearing and Italy's SIA Group have developed and implemented a pan-European platform for instant EUR payments called RT1. It is fully compliant with the SCT Insts scheme and is in line with the ISO 20022 global messaging standards for instant payments.
- TIPS is a pan-European service for the settlement of instant payments in central bank money. The service enables payment service providers and ACHs with access to TARGET2 to offer fund transfers 24/7, 365 days a year. TIPS is aligned with SCT Insts. It is primarily focused on EUR payments but is technically capable of settling payments denominated in other currencies.

## Direct debits

- Direct debits are used for regular payments, such as utility bills.
- SEPA CORE and B2B direct debit schemes can be settled on a same-day basis via STEP2. There are 30 Core SDD participants and 19 B2B SDD.
- Cross-border SEPA direct debits can be processed via STEP2 or Switzerland's SIX Payment Services (which works together with the Swiss Euro Clearing Bank (SECB)).

## Cheques

- Cheques are rarely used in Luxembourg.
- Cheques are cleared and settled bilaterally between banks.

## Card payments

- Card payments are increasingly popular, especially for retail transactions.
- There were 1 million debit cards and 2.0 million credit cards in circulation at the end of 2019.
- Visa and MasterCard-branded payment cards are the most widely issued.
- American Express and Diners Club credit cards are also available.
- Card payments are settled via Switzerland's SIX.
- Contactless card technology is available in Luxembourg.

## ATM/POS

- There were 595 ATMs in Luxembourg at the end of 2019.
- There were 16,740 EFTPOS terminals in Luxembourg at the end of 2019.
- All payments are settled via SIX.
- All ATMs and POS terminals are EMV-compliant.

## Electronic wallet

- Paysafecard is an online pre-paid payment method. The paysafecard is credited using paysafecard PINs and is not linked to bank accounts. Customers can combine paysafecard PINs with an online account.
- The Digicash mobile payment app is offered by Luxembourg's leading banks and used by over 25% of the population.

## Short term investments

## Market overview

### Interest payable on credit balances

- Interest-bearing current accounts are permitted for residents and non-residents.

### Demand deposits

- Interest-bearing demand deposits are permitted for residents and non-residents.

### Time deposits

- Time deposits are available in EUR or major foreign currencies with terms ranging from one week to one year.

### Certificates of deposit

- Domestic banks issue certificates of deposit with terms ranging from overnight to 12 months.

### Treasury (government) bills

- Luxembourg's government does not issue Treasury bills.

### Commercial paper

- Domestic commercial paper is issued by companies and public authorities with terms ranging from overnight to 12 months.

## Money market funds

- Domestic money market funds, SICAVs (*société d'investissement à capital variable*), are popular short-term investment instruments.
- SICAVs are open-ended investment funds.

## Repurchase agreements

- Repurchase agreements are commonly available in Luxembourg.

## Banker's acceptances

- Banker's acceptances are not used in Luxembourg.

# BNP Paribas Trade Finance Capabilities

## Trade payments

Documentary credits	✓
Documentary collections	✓

## Guarantees

Bank guarantees	✓
Standby letters of credit	✓

## Supply chain management

Receivables	✓
Payables	✓
Inventory	✓

## Trade channels

Connexis Trade	✓
Connexis Supply Chain	✓
SWIFTNet Trade for Corporates	●
Connexis Connect	✓

- BNP Paribas BGL's Global Trade Solutions (GTS) team comprises a local trade manager supported by a middle office team of 10 trade finance experts. In addition to the bank's integrated export and import offering (e.g. documentary credits, collections and international guarantees) supported by the bank's global processing platforms, GTS also provides corporate clients with innovative supply chain management solutions.

## International trade

### General trade rules

- As a member of the EU, Luxembourg follows the EU customs code and applies all associated regulations and commercial policies.
- Trade with other countries in the European Economic Area (EEA) and Switzerland is exempt from tariffs and other controls.

### Trade agreements

- The EU has trade agreements in place with over 30 countries.
- The EU is currently in free trade negotiations with a number of countries, including the Association of Southeast Asian Nations (ASEAN), Australia, Indonesia, Mercosur (the Southern Common Market), Uruguay and the USA.
- The EU-UK Trade and Cooperation Agreement came into force on 1 May 2021.

## Imports / exports

Imports	Commercial aircraft	Cars	Refined oil	Scrap iron	Broadcasting equipment
Primary Import sources	Belgium (27%)	Germany (24%)	France (11%)	Netherlands (5%)	
Exports	Broadcasting equipment	Iron and iron products	Cars	Clothing and apparel	
Export markets	Germany (23%)	France (13%)	Belgium (12%)	Netherlands (6%)	Italy (5%)

## Import / export volumes

		2016	2017	2018	2019	2020
Exports	- goods USD m	19,742	21,845	23,472	23,017	26,280
	- services USD m	97,872	104,626	112,639	110,578	110,806
Imports	- goods USD m	22,030	23,772	25,555	24,251	23,502
	- services USD m	74,641	79,252	84,723	84,040	86,599
Current account as % GDP		5.1	5.2	4.7	4.3	4.1

Source: IMF, International Financial Statistics, July 2021.

### Documentation

- Documentation is not required for imports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to import goods into Luxembourg from outside the EU:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

### Import licences

- Import licences are required for certain textiles, steel products, diamonds and armaments from outside the EU.
- Import licences with quotas are required for certain steel products from Kazakhstan.

### Import taxes and tariffs

- Tariffs are set according to the EU customs code for all imports from outside the EU, with higher tariffs for agricultural imports.
- There is one free zone (Luxembourg Freeport) operating in Luxembourg.

### Financing requirements

- None

### Risk mitigation

- None



## Prohibited imports

- Luxembourg prohibits the import of certain items in line with EU regulations and UN Security Council resolutions.
- Specific imports are prohibited in order to protect fauna and flora, for health and safety or moral reasons, and/or for national security.

## Trade finance - Exports

### Documentation

- Documentation is not required for exports from within the EU, although a commercial invoice should be supplied.
- The following documentation is usually required in order to export goods from Luxembourg outside the EU:
  - customs declaration
  - commercial invoice
  - bill of lading
  - packing list
  - certificate of origin (in certain cases).

### Export licences

- Export licences are required for certain strategic items (e.g. diamonds, armaments and dual-use items), and for exports to countries under UN embargo.

### Export taxes and tariffs

- None

### Financing requirements

- None

## Risk mitigation

- Luxembourg has implemented the EU directive on export credit insurance.
- The Office du Ducroire, Luxembourg's national export credit agency, provides state-supported export credit insurance.
- Export credit insurance is also available from private insurance companies.
- Export financing is available from commercial banks.

## Prohibited exports

- Luxembourg prohibits the export of certain items in line with EU regulations and UN Security Council resolutions.

## Regulatory requirements

## Reporting regulations

- Transactions between resident accounts and accounts held by non-residents must be reported to the BCL on a monthly basis.
- Cross-border netting must be reported to the BCL on a monthly basis.

### Reporting method

- Information is collected via direct reporting and surveys submitted by resident credit institutions and the country's postal service, P&T Luxembourg.
- Monthly reports of individual transactions must be submitted to the BCL by the 10th working day of the end of the reporting period.

## Exchange controls

- Luxembourg does not apply [exchange controls](#).
- Restrictions apply to foreign investment from non-EU states in Luxembourg's airlines.

### Resident / non-resident

- A company is considered resident in Luxembourg if its legal seat or central administration is located in Luxembourg.
- The legal seat is the social seat of the company as defined in its by-laws. The central administration is determined according to facts and circumstances. Elements such as the place where board meetings and shareholders' meetings are held, where the employees are located, the place where the bookkeeping is undertaken and the place where decisions are made are considered in determining the location of the central administration of a company.

#### Tax authorities

- Luxembourg Inland Revenue;
- Registration Duties, Estates and VAT Authority; and
- Customs & Excise Agency.

#### Tax year/filing

- The tax year corresponds to the calendar year. If a company's financial year does not coincide with the calendar year, its financial year becomes its tax year.
- Corporate income tax, net worth tax and municipal business tax returns must be submitted before 31 May of the following tax year. This date may be extended upon request. Tax returns must be stated in terms of the euro although in certain circumstances, a company can determine its taxable income in a currency other than euro. Due to the COVID-10 pandemic, some tax deadlines have been extended.
- Capital companies (i.e. SAs, Sàrls and partnerships limited by shares) may be entitled to self-assessment.
- Luxembourg companies must file their corporate income tax, net worth tax and business tax returns via an electronic filing tool.
- Fiscal consolidation is allowed for corporate and municipal business tax purposes, but not for net worth tax purposes. A fiscal unity may be formed only by a Luxembourg company, or a Luxembourg permanent establishment of a foreign company subject to tax corresponding to Luxembourg corporate income tax, and its wholly owned (at least 95%) Luxembourg subsidiaries/Luxembourg permanent establishments of a foreign company that are subject to a tax equivalent to Luxembourg corporate income tax.
- Under certain conditions, a horizontal fiscal unity also is possible between companies with the same direct or indirect parent company (without the parent company forming part of the consolidation).

### Financial instruments

- There are no specific rules in place to determine the tax treatment of financial instruments. In principle, tax rules follow accounting treatment.

## Interest and financing costs

- Interest costs are generally tax deductible. However, expenses that have been incurred by a Luxembourg company and which are economically linked to the payment of a dividend in the same year are not tax deductible.
- Interest in excess of an appropriate debt/equity ratio may be re-characterised (see Thin capitalisation below).

## Foreign exchange

- Taxation of foreign exchange gains or losses in principle follows Luxembourg GAAP accounting principles (realised exchange gains are taxed, whilst realised and unrealised exchange losses are tax deductible).
- In Luxembourg, the capital of entities may be contributed in a currency other than EUR and the accounts could also be maintained in the entity's capital currency. Under certain conditions and upon request from the taxpayer to the tax authorities, the tax law allows the neutralisation of the exchange gains on the investment of the equity of an entity. Only companies which predominantly generate their income from financial assets may benefit from the neutralisation of exchange gains (through the constitution of a specific provision in the fiscal balance sheet expressed in EUR). This will temporarily defer the taxation of realised exchange gains.

## Advance tax ruling availability

- The administrative practice in Luxembourg allows (without obligation) tax inspectors to give binding confirmation within the scope of the law, regulation and case law of the tax treatment that would be applicable in the specific case submitted by a taxpayer or their representatives. This binding information is based on a bona fide principle, meaning that the facts and tax law on which it is based do not change.
- An administrative fee will apply.
- Please see Transfer pricing below.

## Capital gains tax

- Capital gains generally are included in taxable income and taxed at the standard corporate tax rate. However, capital gains derived from the sale of shares may be exempt from corporate income tax in certain cases.

## Withholding tax (subject to tax treaties)

Payments to:	Interest	Dividends	Royalties	Other income
Resident entities	0%/ 15%	0%/15%	None	None
Non-resident entities	0% / 15%	0%/15%	None	None

- A withholding tax of 15% is levied on interest paid to both resident and non-resident companies, derived from profit-sharing bonds (subject to tax treaty reduction) and profit listed debt instruments. All other interest is exempt to the extent that the rate and conditions are at arm's length.
- A withholding tax of 15% is levied on dividends (except liquidation payments) paid to resident and non-resident companies. No tax is withheld on dividends paid to a qualifying company under the EU parent-subsidiary directive, unless the transaction qualifies as an abuse of law under the general anti-abuse rule. Luxembourg has extended the benefits of the directive to parent companies resident in non-EU tax treaty countries, provided conditions similar to those under the Luxembourg participation exemption are satisfied and the parent company is subject to a tax similar to Luxembourg corporate income tax.
- Domestic law in Luxembourg does not levy withholding tax on royalty payments to resident/non-resident companies (whether an EU member or not).
- A tax credit is available under tax law in Luxembourg for any tax withheld. The credit allowed is limited to the amount of Luxembourg income tax due on the net income from the foreign country concerned (alternatively a global method is also available). If effective foreign taxes cannot be fully credited because they exceed the limit, the excess may be deducted as an expense from taxable income. Double taxation treaties may contain more favourable tax credits.

## Tax treaties / tax information exchange agreements (TIEAs)

- Luxembourg has exchange of information relationships with 86 jurisdictions through 86 double tax treaties and no TIEAs.
- Luxembourg, as part of the OECD/G20 Base Erosion and Profit Shift (BEPS) initiative, has signed a multilateral co-operation agreement with 30 other countries ('the MCAA'). Under this multilateral agreement, information is exchanged between tax administrations, giving them a single, global picture on some key indicators of economic activity within multinational enterprises (MNE).
- With country-by-country reporting, tax administrations of jurisdictions where a company operates have aggregate information annually relating to the global allocation of income and taxes paid, together with other indicators of the location of economic activity within the MNE group. It also covers information about which entities do business in a particular jurisdiction and the business activities each entity engages in. The information is collected by the country of residence of the MNE group, and then exchanged through exchange of information supported by such agreements as the MCAA.

## Thin capitalisation

- As from January 1, 2019, “excess borrowing costs” (the amount of borrowing costs that exceed the amount of taxable revenue) are deductible up to 30% of the taxpayer’s tax-based EBITDA,
- Where certain conditions are fulfilled, the 30% limitation does not apply to excess borrowing costs up to EUR 3 million or that are incurred: (i) by taxpayers meeting a group-wide test; (ii) by standalone entities and “financial undertakings”; (iii) on loans concluded before June 17, 2016; or (iv) on loans that are used to fund EU long-term public infrastructure projects.
- Excess borrowing costs that cannot be deducted in the current tax year can be carried forward indefinitely. Unused interest capacity may be carried forward for up to five years.
- Tax integrated entities are allowed to calculate their excess borrowing costs and EBITDA at the level of the integrated group or opt for the individual application of the interest limitation rule.
- As from 1 March 1 2021, deductions for interest and royalty payments due to a related entity established in a country or territory included in the EU list of noncooperative jurisdiction for tax purposes will be denied, unless the taxpayer can demonstrate that the transaction is driven by sound business reasons that reflect economic reality.

## Transfer pricing

- Luxembourg has specific transfer pricing legislation requiring transactions between related parties to be conducted on arm’s-length terms. The tax authorities can request documents to investigate transactions with related parties.
- Tax payers should be able to justify their transactions and provide a valid business rationale, through transfer pricing documentation based on a functional and risk analysis.
- Country-by-country reporting, in line with the OECD’s BEPS action 13, is required.
- Tax measures have been introduced to support Luxembourg as a prime financial centre, including new guidance and clarification on the transfer pricing rules for Luxembourg entities engaged in intragroup financing activities.
- A company may request an advance pricing agreement from the Luxembourg tax authorities.

## Stamp duty

- Stamp duty is levied at various rates on the registration of notary deeds, bailiff deeds and certain acts of the judiciary.

## Cash pooling

- Luxembourg has no specific tax rules regarding [cash pooling](#) arrangements.



## Financial transactions / Banking services tax

- There are no specific tax rules relating to financial transactions/banking services.

*All tax information supplied by Deloitte Touche Tohmatsu and Deloitte Highlight 2021 ([www.deloitte.com](http://www.deloitte.com)).*



**BNP PARIBAS**

The bank  
for a changing  
world