

Luxembourg

Legal Environment for Philanthropy in Europe 2024

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I. Legal framework for foundations

- 1. Does the jurisdiction recognise a basic legal definition of a foundation? (please describe) What different legal types of foundations exist (autonomous organisations with legal personality, non-autonomous without legal personality, civil law, public law, church law, corporate foundations, enterprise foundations, party political foundations, family foundations, foundations of banking origin as a specific type, companies limited by liability, trusts)? Does your jurisdiction recognise other types of philanthropic organisations?**

Foundations are governed by the Luxembourg Law on Non-Profit Associations and Foundations of 7 August 2023 ("*Loi du 7 août 2023 sur les associations sans but lucratif et les fondations*", hereafter referred to as "FA").

According to Art. 40, (2) of the FA, foundations are organisations with a purpose which meets the following conditions:

1. The purpose pursued is of general interest, of a specific nature (philanthropic, social, religious, scientific, artistic, pedagogic, related to sports, therapeutic or medico-social, or in the field of tourism, protector of the environment or animals or which defends and promotes human rights), and which goes beyond the local interest.
2. The purpose is of permanent nature.

The purpose shall be pursued using the assets dedicated to the foundation upon its creation or later on.

According to the FA, there is only one type of foundation, *i.e.* one that serves the general interest.

As per Art. 40, (7) of the FA, a foundation enjoys legal personality upon approval of its statutes by Grand Ducal decree.

- 2. If your jurisdiction provides for different laws for different foundations/philanthropic organisations, please indicate this here and then specify under further relevant questions whether a different answer applies to these types of foundations/philanthropic organisations.**

N/A

- 3. What purposes can foundations legally pursue?¹**

- Only public-benefit
 Both public- and private-benefit

- 4. What are the requirements for the setting up of a foundation (procedure, registration, approval)? What application documents are required? Are there any other specific criteria for registration?**

The setting up of a foundation must be approved by Grand Ducal decree, issued following the opinion of the Minister of Finance (Art. 40, (1) of the FA).

¹ This question focuses only on public-benefit foundations (see the definition in the [glossary](#) developed for this project).

An authentic deed (a deed that is signed by a public officer, such as a notary) must formalise the foundation's creation (Art. 41, (2), 1 of the FA).

The **endowment** of a foundation being set up must amount to a minimum of €100,000 (Art. 40, (3) of the FA).

The **application** to set up a foundation must be filed with the Ministry of Justice (Art. 41, (1) of the FA). The application includes (Art. 41, (2) of the FA):

- A draft notarial deed of the statutes
- A report including a description of the projects that the future foundation would like to carry out during the first three years
- A financing plan over three years
- The intended board composition

The Ministry of Justice reviews:

- The compliance of the foundation's statutes with the requirements of the FA (Art. 41, (4), 1) (cf. paragraph below regarding requirements for the statutes)
- Whether the report sufficiently demonstrates that the planned activities/projects meet the statutory purpose of the foundation (Art. 41, (4), 2 of the FA)
- Whether the founder and the future board members have criminal records (Art. 41, (4), 3 of the FA)

According to Art. 43 (2) of the FA, the foundation's **statutes** must cover at least the following points:

- The name of the foundation
- The precise description of the purpose, as well of the activities that it intends to undertake
- The legal seat of the foundation, which must be located within the Grand Duchy of Luxembourg
- The initial endowment of the foundation
- The duration of the foundation, when it is not unlimited
- The method of approval, termination and revocation of board members / persons entitled to represent the foundation / persons entitled to delegate the daily management, as well as the extent of their powers
- The method of appointing the statutory auditor
- The method of convening and the terms of deliberation of the board members
- Conditions upon which statutes may be amended by the board
- The destination of assets upon dissolution of the foundation

As per Art. 43, (1) of the FA, the foundation's creation deed includes the foundation's statutes and mentions the name and address of the founder(s).

The creation deed is filed and published in full via a central electronic official publication platform (*Recueil électronique des sociétés et associations* or RESA) (Art. 57, (1) of the FA).

All foundations must register in the Luxembourg Business Register (*registre de commerce et des sociétés*). For this registration, a copy of the Grand Ducal decree must be submitted.

Such registration does not create a presumption of commerciality for a foundation (Art. 56, (1) and (2) of the FA).

5. Is state approval required? (approval by a state supervisory authority with/without discretion)

- Approval by a state authority with discretion
- Approval by a state authority without discretion
- Approval by a court
- Notarisation by a notary public

6. Are foundations required to register?

a) If foundations must register, in what kind of register?

- Company register
- Foundation register at national level
- Foundation register at the regional/county level
- Beneficial ownership register
- Any other public register (other than a foundation/charity one)

b) If foundations are registered, what information is kept in the register?

The articles of association and information on board members and accounts.

c) If foundations are registered, is the register publicly available?

- Yes, all information publicly accessible
- Yes, some information publicly accessible
- Yes, accessible upon request
- No

7. Is a minimum founding capital/endowment required?

- No
- Yes, amount: At least €100,000 (Art. 40, (3) of the FA)

8. Is the foundation required to maintain these assets or any other specified asset level throughout its lifetime? Are spend-down foundations allowed?

Unless there are more rigorous provisions in the statutes, if the net assets fall to an amount less than €50,000, the board convenes to deliberate, within 2 months, on the potential dissolution of the foundation (Art. 52, (1), al. 3 of the FA).

9. What governance requirements are set out in the law? Is it a one-tier or two-tier foundation governance model?

a) Is it mandatory to have a:

- Supervisory board
- Governing board

- b) What are the requirements concerning board members? Is a minimum/maximum number of board members specified? Does the law regulate the appointment of board members and their resignation/removal, or can this be addressed in the statutes/bylaws?

There needs to be a minimum of three board members (Art. 45, (1) of the FA). There is no maximum number of board members provided for in the law, but the foundation's statutes may provide for a maximum.

Rules regarding the appointment, removal and resignation of board members, and any other status change, are to be laid down in the foundation's statutes.

- c) What are the duties and what are the rights of board members, as specified by national legislation or case law?

Board members are in charge of the overall management of the foundation (Arts. 45 to 51 of the FA).

Board members do not enter any personal obligation in relation to the foundation's commitments. Their responsibility is limited to the execution of the mandate they received, and any errors committed in their management (Art. 50, (2) of the FA).

Board members of an organisation using the term "foundation" in its name (or the equivalent in a foreign language), the statutes of which have not been approved by Grand Ducal decree, may face a fine (Art. 70 of the FA).

- d) What are the rights of founders during the lifetime of the foundation? Can fundamental decisions, such as change of purpose, be made at the discretion of the founder? What are the legal requirements in such circumstances?

Apart from the specification that members of the first board are designated by the founder (Art. 45, (1), al. 2) (their integrity being verified beforehand by the Ministry of Justice), the FA does not provide for any particular rights in favour of the founder.

The founder of an organisation using the term "foundation" in its name (or the equivalent in a foreign language), the statutes of which have not approved by Grand Ducal decree, faces a fine (Art. 70 of the FA).

- e) Can the board or the founder amend the statutes including the purpose of the foundation? If yes, please indicate any particularities. What is the relationship between the powers of the founders, the statutes of the foundation and the power of the board members?

A fundamental change, for example the modification of the purpose of a foundation, requires a change of the statutes, which cannot be made by the founder *qualitate qua* and, at any rate, requires governmental approval.

The board is entitled to amend the statutes, including the purpose of the foundation.

The foundation's statutes specify the conditions under which said statutes may be amended by the board.

The board can only validly deliberate on the amendment of the statutes if the text of the modifications is indicated in the notice, and if at least two thirds of its members are present or represented.

An amendment to the foundation's statutes requires: an approval by Grand Ducal decree, a vote of the board by a specific majority, a formalisation by authentic deed (a deed that is signed by a public officer, such as a notary), and a filing and publication of the statutes

update via an official central electronic publication platform (*Recueil électronique des sociétés et associations* or RESA).

Statutes may give power to one or several board members to represent the foundation in acts or in court, either alone or jointly (Art. 45, (4) of the FA).

Exceptionally, in cases duly justified by urgency, decisions by the board may be taken, if statutes allow, by unanimous consent of the directors, expressed in writing (Art. 46, (5) of the FA).

Daily management of the foundation, as well as its representation, may be delegated to one or several individuals or legal persons, being board members or not, acting alone or jointly. Their appointment, their cessation of functions and their dismissal are regulated by the statutes (Art. 48, (1) and (2) of the FA).

f) What are the rights of third parties (e.g. right of information)?

Generally speaking, decisions are enforceable towards **third parties** if a formality has been respected (e.g. publication in the Luxembourg Business Register).

A **third party** may denounce, towards the district court sitting in civil matters in whose jurisdiction the foundation has its headquarters, an administrator who would have demonstrated negligence or incompetence; who would not fulfil the obligations imposed on them by law or by the statutes; or who would dispose of the foundation's assets contrary to the intended purpose or for purposes contrary to the public order. This may lead to the revocation of said administrator (Art. 51 of the FA).

A **third party** may request the dissolution of a foundation, towards the district court sitting in civil matters in whose jurisdiction the foundation has its headquarters, that 1) is unable to fulfil the commitments it has entered into; 2) allocates its assets or its income to a purpose other than that for which it was constituted; 3) has failed to bring the net assets up to the amount necessary to reach the minimum amount; 4) seriously contravenes its statutes, the law or public order; 5) has failed to meet the obligation to submit the accounting documents for the financial year expired for two consecutive financial years; or 6) has failed to meet the obligation to submit the detailed activity report (Art. 58 of the FA).

Any interested **third party** may lodge an appeal against the decision to open an administrative dissolution procedure without liquidation before the president of the district court in whose jurisdiction the association or foundation has its headquarters, within one month following notification of the decision (Art. 69 of the FA).

g) What rules are in place to ensure against conflict of interest? What is the legal definition of a conflict of interest under your legislation? How is self-dealing prohibited?

One of the conditions for a foundation to be created is the pursuit of a public-interest purpose (Art. 40, (2), 1 of the FA).

The FA further specifies that a foundation cannot pursue either industrial or commercial operations, and is not involved in activities that result in material gain. A foundation cannot be used to obtain a material gain for the founders, the administrators, or any other people (Art. 40, (4) of the FA). Also, a foundation has neither members nor associates (Art. 40, (5) of the FA).

Members of the board exercise their function in a collegial manner, and their mandates are exercised free of charge (Art. 45, (2) of the FA).

Should a board member have 1) demonstrated negligence or incompetence; 2) not have fulfilled the obligations imposed on them by law or by the statutes; or 3) have disposed of the foundation's assets contrary to their intended purpose or for purposes contrary to the

public order, a district court sitting in civil matters may revoke such board member at the request of an interested third party or the state prosecutor (Art. 51, (1) of the FA).

The leaders of a foundation, *de jure* or *de facto*, who, in bad faith, have done the following, will be punished by imprisonment and/or a fine (Art. 71 of the FA):

1. Used the assets of the foundation in a way that they knew to be contrary to the interest of the foundation, for personal purposes or to favour an entity in which they were directly or indirectly interested.
2. Used the powers or the voting rights they had by virtue of their leadership positions, in a way that they knew to be contrary to the interest of the foundation, for personal purposes or to favour an entity in which they were directly or indirectly interested.

h) Can staff (director and/or officers) participate in decision-making? How and to what extent?

A foundation is managed by a board (Art. 45 of the FA). Staff executes the decisions taken by the board (see also answer to Section I, question 9).

10. What is the liability of the foundation and its organs? What is the general standard of diligence for board members? (e. g. duty of obedience, duty of care/prudence, duty of loyalty)? In what type of rule are these criteria established: fiscal, administrative, civil, commercial? Is there a solid case law, if any, regarding the duty of due diligence? Does your country differentiate between voluntary (unpaid) and paid board members? Who is allowed to bring a complaint about breaches of such duties: the other members of the board, the founder/s, the public authorities? If a complaint is brought, which authority has competence in such cases: administrative, tax authority, only the judiciary power (attorney general) or beneficiaries/general public?

As a consequence of its legal personality, a foundation is responsible, in accordance with common law, for faults attributable either to its employees or to its board (Art. 50, (1) of the FA).

However, this does not prevent the members of its organs from being held personally liable according to common law. Except where they act wrongfully (according to tort law), the organs of a foundation (i.e. the board members and those delegated to carry out daily management), are not personally liable for the undertakings and commitments of the foundation. Their responsibility is limited to the execution of the mandate they received, and the errors committed therein (Art. 50, (2) and (3) of the FA). A reasonable duty of care and diligence is expected from these organs.

Does your country differentiate between voluntary (unpaid) and paid board members?

Art. 45, (2), al. 2 of the FA stipulates that mandates of board members are exercised free of charge. Case law traditionally makes this kind of distinction.

Who can claim responsibility for breaches of such duties: the other members of the board, the founder/s, the public authorities?

Any interested third party or the state prosecutor.

In which case who: administrative, tax authority, only the judiciary power (attorney general) or beneficiaries/general public?

The district court sitting in civil matters in whose jurisdiction foundation has its headquarters.

11. Who can represent a foundation towards third parties? Is this specified in law or is it up to the statutes of the organisation? Do the director and officers have powers of representation based on legislation?

Every foundation has a board as its governing body, but it is up to the statutes to say who can represent the foundation towards third parties. If there is no specific provision in the statutes, the board as a whole would need to represent the foundation towards third parties.

In relation to daily management, representation of the foundation may be delegated to one or several individuals or legal persons, board members or not, acting alone or jointly (Art. 48, (1) of the FA). Their appointment, their cessation of functions and their dismissal are regulated by the statutes (Art. 48, (2) of the FA).

Publication of the act relating to appointment or the cessation of functions, as applicable, of the board members and those delegated to carry out daily management must be filed and published via a central electronic official publication platform (*Recueil électronique des sociétés et associations* or RESA) (Art. 57, (2), 1, a) and b) of the FA).

12. Are purpose-related/unrelated economic activities allowed? If so, are there other types of limitations on economic activities (related/unrelated)?

Purpose-related/unrelated economic activities are accepted in the sense that foundations operate thanks to income from the assets allocated to their creation, as well as income from funds collected since this creation (Art. 40, (2) of the FA). However, foundations cannot engage in commercial operations as a primary purpose or for material gain (Art. 40, (4) of the FA). The purpose pursued by a foundation must be one of public benefit (Art. 40, (2), 1 of the FA).

There are a number of activities that may expose a foundation to income tax, such as trading, manufacturing, banking and insurance activities.

13. Is there any legal/fiscal framework for grantmakers to be able to fund legal entities that are conducting economic activities in addition to their public utility activities? If any, what are the limitations for funding those kinds of legal entities?

There is no specific legal/fiscal framework provided for.

14. Are foundations permitted to be major shareholders in a company? Are there any limitations to voting rights? Is this considered as an economic activity? Are foundations allowed to engage in active ownership of companies that they own (for example through board representation, informal strategy discussions or the right to be consulted on key issues such as CEO succession)?

There is no prohibition as such for a foundation to engage in active ownership of companies that it owns, with the limitations that such an engagement cannot 1) be the primary purpose of the foundation (i.e. to pursue the realisation of material gain); 2) procure the realisation of material gain for founders, board members or anyone, except if that is for the realisation of a public-benefit purpose (see also answer to Section I, question 9g).

15. Are there any rules/limitations in civil and/or tax law regarding foundations' asset management (only secure investments/bonds/investments with a certain return)? What, if any, types of investment are prohibited? Are there any limitations on mission-related investments? N/A

16. Are foundations legally allowed to allocate grant funds towards furthering their public-benefit purpose/programmes which (can) also generate income – impact investing? (recoverable grants; low interest loans; equities)

There is no provision in the FA prohibiting such activities, and there is no reason that they should not be authorised, as long as it serves the realisation of the foundation's purpose, which must be of public interest and within one of the thematic areas listed in the FA.

17. Are there any limitations (in civil law/tax law) to political party related or general lobby/advocacy activities?

No, there are no such limitations as long as it serves the realisation of the foundation's purpose, which must be of public interest and within one of the thematic areas listed in the FA.

18. What are the requirements for an amendment of statutes/amendment of foundations' purpose?

(see answer to Section I, questions 1 and 9e)

19. What are the requirements with regard to reporting, accountability, auditing?

a) What type(s) of reports must be produced?

- Annual financial report/financial accounts
- Annual activity report
- Public-benefit/activity report
- Tax report/tax return
- Other reports e.g. on 1% schemes
- Reports on governance changes (e.g. new board members)
- Report on conflict of interest (self-dealing and conflict of interest breach cases)

b) Must all/any of the reports produced by the foundation be submitted to supervisory authorities? If so, to which authorities (e.g. foundation authority, tax authority)?

The board must approve the accounts of the preceding financial year no later than 6 months after the closing of that financial year, as well as the budget of the following financial year.

Within one month of their approval, the board must file the annual accounts and must publish their filing via a central electronic official publication platform (*Recueil électronique des sociétés et associations* or RESA) (Art. 52, (2) of the FA).

The board must communicate to the Ministry of Justice a detailed activities report for the past financial year within one month of the filing date for the required documentation (Art. 52, (6) of the FA).

c) Are the reports checked/reviewed? By whom (supervisory/tax authorities)?

These are to be filed with the Ministry of Justice who has the authority to check them.

- d) Do any or all of the reports and/or accounts of foundations need to be made publicly available? If so, which reports and where (website, upon request)?

Yes, the annual accounts, via the central electronic official publication platform (*Recueil électronique des sociétés et associations* or RESA).

- e) Is external audit required by law for all foundations?

A foundation must entrust the control of its annual accounts to an approved auditor appointed by the board (Art. 52, (4) of the FA).

- f) By whom should audits be undertaken? Do requirements/guidelines exist regarding international and national auditing agencies and standards?

To work in the auditing profession, it is necessary to hold the title of statutory auditor (*réviseur d'entreprises*). The title is conferred to candidates who meet the legal requirements in terms of theoretical qualification, professional integrity, professional training and continuing education. The list of approved auditors may be found on the website of the Luxembourg Financial Sector Supervisory Commission (CSSF).

20. Supervision: Which authority, what measures?

According to Art. 41 of the FA, the authority in charge of the supervision of foundations is the **Ministry of Justice**. Before a foundation is created, the Ministry conducts several reviews (see answer to Section I, question 4). The Ministry goes through this same review process 1) after 5 years; 2) in case a new board member is appointed; or 3) in case a board member would be deemed as not having fulfilled the conditions regarding criminal background checks.

- a) What type of body is the supervisory authority? (multiple answers possible)

- A public administrative body
- A public independent body
- A combination of a governmental body and a court
- A court
- A public administrative body and an independent body
- A tax authority
- Other

- b) Does the supervisory body review reports?

- Yes
- No

- c) Are foundations subject to inspection?

- Yes
- No

- d) Is approval from the authority required for certain decisions of the governing board?

- Yes, formal approval is needed
- Yes, needs just to be informed

- No - (save that governmental approval is required for any change of the articles of association)

If yes, please specify which type of decisions:

e) Is it mandatory to have a state supervisory official on the governing board?

Yes

No

Can a government official be appointed to the governing board by a state authority, if so please mention:

f) What enforcement measures are in place (including compliance measures and sanctions for non-compliance) concerning registrations, governance, reporting, and public-benefit status?

(See also answer to Section I, question 20 regarding the Ministry of Justice's reviews).

Should a board member have 1) demonstrated negligence or incompetence; 2) not have fulfilled the obligations imposed on them by law or by the statutes; or 3) have disposed of the foundation's assets contrary to their intended purpose or for purposes contrary to the public order, a **district court sitting in civil matters** may revoke such board member, at the request of an interested third party or the state prosecutor (Art. 51, (1) of the FA).

The **administrator of the trade register** may address a formal update request to a registered foundation. In the absence of 1) an answer within 6 months from the sending of the request, and of 2) any filing since at least 5 years, the administrator of the trade register can, at their initiative, start an administrative dissolution without liquidation towards the foundation (Art. 69, (1) of the FA).

21. When and how does a foundation dissolve?

Case 1

Should a board member be unfit for the role, the Ministry of Justice sends a formal notice to the foundation asking it to take all necessary measures to guarantee that the board member does not participate in the foundation's activities. A copy of this notice is sent to the trade register so that the suspension of the board member is registered. If, within one month of the receipt of such notice, nothing is done by the foundation to guarantee that said board member does not participate in the foundation's activities, the Ministry will start a **judicial dissolution** of the foundation (Art. 41, (6) of the FA).

Case 2

As per Article 58 of the FA, a foundation may be **dissolved** by the **civil court** upon the request of a director, any interested third party or the public prosecutor, if any of the following applies to the foundation:

- It becomes unable to accomplish the purpose(s) for which it was created
- It allocates its assets or its income to a purpose other than its statutory purpose
- It is unable to bring the net assets up to the minimum amount of €50,000
- It seriously contravenes its statutes, the law or public order
- It does not fulfil the obligation to file accounting documents of the past financial years, for two consecutive years
- It does not file the detailed activities report, for two consecutive financial years

In such cases, the judge appoints one or more liquidators. Such liquidators, after payment of the foundation's debts, will allocate the liquidated assets so that they are used according to the purpose set forth in the statutes (Art. 59, (1) of the FA). If the statutes are silent, the liquidators will convene a board to decide on the allocation of the assets (Art. 59, (2) of the FA). As a last resort, the liquidators will allocate the assets to another public-interest foundation or association, within the EU or the EEA; to a societal impact company whose capital is entirely composed of impact shares; to the state or a municipality; or to a public establishment whose statutory purpose is as close as possible to the purpose for which the foundation was originally created (Art. 59, (3) of the FA).

Case 3

The **board** can pronounce the **dissolution** of the foundation if at least two thirds of the members are present or represented. The decision on dissolution can be adopted if there is at least a majority of three fourths of the members present or represented (Art. 60, (1) and (2) of the FA). Allocation of the foundation's assets will be done according to the statutes. If these are silent on the topic, allocation will be done similarly to the above process described in Case 2.

Case 4

The **administrator of the trade register** may address a formal update request to a registered foundation. In the absence of 1) an answer within 6 months from the sending of the request, and 2) any filing since at least 5 years, the administrator of the trade register can, at their initiative, start an **administrative dissolution** without liquidation towards the foundation (Art. 69, (1) of the FA).

22. Is there a maximum that can be spent on office/administration costs in civil law and/or tax law? If yes, what is the amount?

Special statutory regulations concerning "administration costs" do not exist in civil/tax law. However administration costs should be deemed to be reasonable as a foundation cannot be established for the benefit of its board members or its staff (just as it cannot be set up for the benefit of the founder and/or the founder's family).

23. Does civil and/or tax law require a foundation to spend a certain percentage of its overall assets within a certain period of time (e.g. within the next financial year)? In particular, can a foundation accumulate these expenses over a period of time (and if so, what kind of authorisation is required to do so)?

No.

24. Under what conditions does the civil law in your country recognise a foreign foundation? Do they have to register? Does your law recognise the concept of trusts?

A foundation incorporated abroad is automatically recognised in Luxembourg subject only to the criteria that its activities do not represent a threat to public order and security, and do not jeopardise relations with any other state or the maintenance of international peace and security (Art. 68, al 1 of the FA).

Furthermore, Luxembourg recognises the concept of trusts as agreed in the Hague Trust Convention of 1 July 1985, which was ratified by Luxembourg in 2003, provided that the trust is not manifestly incompatible with public policy (Article 18, Hague Trusts Convention).

25. Does the law in your country allow a foundation to conduct (some or all) activities (grantmaking, operating, asset administration, fundraising) abroad? Is there any limitation?

There is no prohibition to do so, with the limitation that the activities of the foundations must have a real impact in the Grand Duchy of Luxembourg (cf. Art. 43, (2), 2^o, al. 2 of the FA).

26. Does the law in your country impose any restrictions on ability to receive donations from abroad? If so, please describe.

No. However, a donation to a non-profit organisation which exceeds €30,000 in value (cumulative over preceding 12 months) is subject to the approval of the Minister of Justice, unless the donation has been made by bank transfer from a bank in the EU or the EEA.

27. Does the civil law in your country allow the transfer of the seat of a foundation (in the EU) and/or cross-border mergers?

Yes, the FA expressly allows foundations established under Luxembourg law to transfer their registered office abroad, without thereby losing their legal personality, provided that the state of their new registered office recognises the continuation of this legal personality (Art. 68, al 3 of the FA).

II. Tax treatment of foundations

1. What are the requirements to receive tax exemptions?

- Pursuing public-benefit purposes
- Non-distribution constraint
- Being resident in the country
- Other

2. What are reporting/proof requirements to claim tax exemptions? What does the foundation have to submit to the authorities (statutes, financial reports, activity reports, other?)

According to Article 161, (1), 1 of the Luxembourg Income Tax Act, public-benefit foundations, among others, are exempt from income tax, if they directly and exclusively pursue public-benefit purposes. However, they remain taxable to the extent that they carry out industrial or commercial activities.

According to the FA, state-approved foundations are by definition bodies of public interest pursuing public-benefit purposes. (see also answer to Section I, question 20 regarding the Ministry of Justice being the authority in charge of the supervision of foundations, and running checks on foundations).

3. Is specific reporting required for the use of public funds (grants received from public bodies/state/municipality/etc.)?

It depends on the scheme under which such state funds are received.

4. Is there an obligation to report to public authorities on donors and beneficiaries? If so, to which authority and what type of information?

See answer to Section II, question 15.

5. Is there a statutory definition of what a public-benefit purpose (charitable purpose) is in the civil law (foundation law, trust law) of your country? If yes, please give us the definition. If so, is the determining definition that subsequently links to tax benefits?

There is no definition, properly speaking, but rather an enumeration in the FA referring to the following as being eligible as public-benefit purposes:

“The achievement of a purpose which meets the following conditions:

1° the aim pursued is an aim of public benefit determined in its statutes of a philanthropic, social, religious, scientific, artistic, cultural, educational, sporting, therapeutic or medico-social, tourist, environmental or animal protection nature or which defends and promotes human rights, which goes beyond local interest.

2° the aim pursued is of a permanent nature.”

6. Is there a statutory definition of what a public-benefit purpose is in the tax law of your country? If yes, please give us the definition.

No, tax law merely provides that foundations (as defined by the civil law on associations and foundations) which pursue "*directly and exclusively cultural, charitable or public-interest*

aims" are exempt from income tax, except income generated by a commercial or industrial activity. Other tax law provisions are formulated in a similar way.

Luxembourg Inland Revenue publishes and updates [a list of organisations](#) approved by the Ministry of Justice, or recognised by a special law, as bearing the public-benefit status.

7. Please indicate whether the following purposes would or would not be accepted for tax privileges in your country (noting that the tax status often depends on additional requirements):

Public-benefit purpose	Accepted in tax law (for tax privileges)			
	Yes	Probably yes	Probably no	No
Arts, culture or historical preservation	X			
Environmental protection	X			
Civil or human rights	X			
Elimination of discrimination based on gender, race, ethnicity, religion, disability, sexual orientation or any other legally prescribed form of discrimination	X			
Social welfare, including prevention or relief of poverty	X			
Humanitarian or disaster relief	X			
Development aid and development cooperation	X			
Assistance to refugees or immigrants	X			
Protection of, and support for, children, youth or elderly	X			
Assistance to, or protection of, people with disabilities	X			
Protection of animals	X			
Science, research and innovation	X			
Education and training	X			
European and international understanding (e.g.	X			

exchange programmes/ other activities aimed at building bridges between nations)				
Health, well- being and medical care	x			
Consumer protection		x		
Assistance to, or protection of, vulnerable and disadvantaged persons	x			
Amateur sports	x			
Infrastructure support for public-benefit purpose organisations	x			
Party political activity			x	
Advocacy		x		
Advancement of religion	x			
<i>Other – please list other purposes accepted in tax law for tax privileges in your country</i>				

Note: There is no list of purposes eligible for tax exemption as such: Whether, in a given case, any such purpose will indeed be recognised as amounting to a public-benefit purpose will depend on the manner in and the means by which it will be pursued so as to in practice benefit the public rather than some private interest.

8. Support of “the public at large”

a) Do the activities of a foundation with public-benefit status for tax purposes generally have to benefit “the public at large”?

Put like that, the question is difficult to answer under Luxembourg law. A foundation must serve the public interest (it can either be an organisation listed in Article 112 of the Luxembourg Tax Code, or recognised as being of public benefit by a special law/Grand Ducal decree) and pursue one of the aims indicated in the answer to Section II, question 5 above. This includes the concept that the interest of the public at large (and not just the interest of a small circle of beneficiaries) is promoted.

b) If yes, can a foundation with public-benefit status for tax purposes support a closed circle in a sense that beneficiaries can be identified based on legal or family affiliations?

No (see answer to part 8 a above).

9. Non-distribution constraint

a) Does a foundation with public-benefit status for tax purposes generally have to follow a “non-distribution constraint” which forbids any financial support of the foundation board, staff, etc.?

The pursuance of the public-benefit purpose must be exclusive. That means a non-distribution constraint exists. Board members can have their costs reimbursed. Administration costs must not be excessive. But a foundation cannot be established for the benefit of its board members or its staff (just as it cannot be set up for the benefit of the founder and/or the founder’s family). A foundation cannot be used to obtain a material gain from the founders, the administrators or any other people (Art. 40, (4) of the FA).

b) What happens with the foundation’s assets in case of dissolution? Can the assets revert to private ownership, or do they have to stay in the public-benefit sphere?

Such assets are to be used in accordance with what the statutes stipulate for this. (The statutes are subject to government approval). If for some reason this cannot be achieved, the assets will be allocated to another public-interest foundation or association, within the EU or the EEA; to a societal impact company whose capital is entirely composed of impact shares; to the state or a municipality; or to a public establishment whose statutory purpose is as close as possible to the purpose for which the foundation was originally created (Art. 59, (3) of the FA) (see also answer to Section I, question 21).

10. “Altruistic” element

a) Is remuneration of board members allowed in **civil law** and in **tax law**? If remuneration is allowed, are there any limits in **civil law** and/or in **tax law**?

The mandate of the board members is exercised free of charge (Art. 45, (2) of the FA).

b) Does tax law allow a donor/funder to receive some type of benefit in return for a donation? (e.g. postcards, free tickets for a concert)

The question is whether the foundation pursues a public interest or not. Clearly what a donor/funder can receive must be an appropriately small token in relation to the size of the donation, otherwise the donor’s gift cannot be considered as such.

c) Is there a maximum amount that can be spent on office/administration costs in **civil law** and in **tax law**? If yes, how are “administration costs” defined? Please indicate which of the following types of expenditures would/would not be considered as “administration costs”:

No, but the public-interest criteria will always apply.

- Personnel costs (staff salaries/payroll costs)
- Board remuneration
- Costs of external audit
- Other legal/accounting costs
- General office overheads (rent/mortgage payments, utilities, office materials, computers, telecommunications, postage)
- Insurance
- Publicity and promotion of the foundation (e.g. website, printed promotional materials)
- Asset administration costs

- In the case of an operating foundation – costs related to programmes/institutions run by the foundation
- Costs related to fundraising

11. Hybrid structures (elements of private benefit in public-benefit foundations)

a) Does the **civil law** of your country accept the following provisions/activities of a public-benefit foundation?

It is not simply a matter of the civil law “accepting” or “not accepting” these types of scenarios. To receive legal recognition, foundations need to be approved by the government, and in this context the government no doubt enjoys a certain (possibly a considerable) amount of discretionary power to approve a foundation. It is up to the government to evaluate whether the envisaged scenarios can genuinely be viewed as serving a public interest. In this context, the government would clearly be anxious that no tax benefit can be obtained which exceeds the actual value of a donation. In practice, none of the scenarios envisaged below seems to exist in Luxembourg (except, possibly, in a way, for religious-purpose foundations insofar as they may have among their aims the maintenance of the members of a convent).

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.				x	
The founder retains a beneficial reversionary interest in the capital of a property or other asset for their own continuing use.			x		
The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.		x			
A foundation distributes a (small) part of its income to the founder or their family.			x		

b) Does the **tax law** of your country accept the following provisions/activities of a tax-exempt foundation?

Before approving a foundation (see above), the government seeks the view of the Minister of Finance and of the director of the tax administration. The latter is thus somewhat influential when it comes to whether a foundation should be approved or not. Tax law further provides that a foundation is exempt from income tax only if it pursues "directly and exclusively cultural, charitable or public interest aims". Apart from that, 1) in most instances only donations in cash provide a tax benefit to the donor; and 2) though no such scenario would seem to have arisen in the past, the tax administration might, in the scenarios envisaged below, limit the tax benefit for the founder to the actual value of the conditional donation.

	Yes	Probably yes	Unclear	Probably no	No
The founder restricts the use of the endowment by specifying that the foundation is required to maintain the founder, their spouse and descendants.			X		
The founder retains a beneficial <i>reversionary</i> interest in the capital of a property or other asset to retain for their own continuing use.			X		
The gift consists only of the <i>freehold reversion</i> (residuary interest) in a residence that is subject to an existing lease (for a term of years, or even for life) in favour of the founder (or another member of their family) as tenant.			X		
A foundation distributes a (small) part of its income to the founder or their family.			X		

12. Distributions and timely disbursement

a) Are foundations allowed to spend down their endowment?

Yes, though that is not entirely in line with the definition of a foundation as set out in the law. Unless there are more rigorous provisions in the statutes, if, as a result of losses, the net assets of a foundation are reduced to an amount less than €50,000, the board convenes and, within two months, it deliberates on the potential dissolution of the foundation. If the board decides to continue the foundation, it must bring the net assets up to the aforementioned minimum amount within six months from the date of the finding (Art. 52, (1), al. 3 and 4 of the FA).

b) Are they allowed to be set up for a limited period of time only? If so, is there a minimum length of time for which the foundation must exist?

Yes, though there is no explicit provision in the law on this.

c) Does the **civil law** and/or **tax law** of your country require a foundation to spend its income (or a certain amount of the income) within a certain period of time, e.g. within the next financial year? If yes, is there a specific amount/percentage of the income that must be spent within this time? Which resources would be considered as income? E.g. would donations/contributions designated for building up the endowment be included in/excluded from the income to be spent? What expenditures would count towards the disbursement of income (e.g. would administration costs be included/excluded)?

No.

d) Does the civil law and/or tax law of your country require a foundation to spend a percentage of its overall assets in the form of a “pay-out rule”?

No.

13. Are activities abroad in another country compatible with the public-benefit tax status?

Non-profit activities abroad are allowed without putting the Luxembourg tax exemption at risk.

It is to be noted that the FA specifies that the activities of a foundation must have a real substance in Luxembourg (Art. 43, (2), 2° of the FA).

14. Can public-benefit organisations with a tax-exempt status also support/give grants to for-profit organisations (such as a small green start-up)?

Yes, provided that they have the form of a Société d'Impact Sociétal (see below for explanation of the concept).

15. Corporate income tax treatment. How are the following types of income treated for corporate income tax purposes? Are they taxable or exempt?

a) Grants and donations

Once their creation has been approved by the Ministry of Justice through a Grand Ducal decree, foundations are exempt from income tax (Art. 161.1 of the Income Tax Act), if they directly and exclusively pursue public-benefit purposes.

Donations or wills in favour of a foundation require authorisation by Grand Ducal decree for such donations/wills to take effect. However, such authorisation will not be requested for donations/wills of a value not exceeding €30,000 (Art. 19, (1) of the FA) or for donations that have been made by bank transfer from a bank in the EU or the EEA (Art. 19, (4) of the FA). In the former case, an authorisation is still required should it appear that the donation is done in several tranches, of a total amount exceeding €30,000 (Art. 19, (5) of the FA).

The amount of €30,000 may be amended by Grand Ducal regulation.

b) Investment income (asset administration)

- Interest from fixed rate bonds
- Equities
- Income from leasing of a property that belongs to the foundation

Investment income is exempt from taxes provided it does not derive from a commercial or industrial activity and it is used for purposes related to the main objectives of the foundation.

The organisation may hold and manage interest-bearing financial assets without being taxed on such income if the assets constitute allocated funds or assets ("Zweckvermögen") in the sense of Article 6 of the decree of 16 December 1941 (Verordnung zur Durchführung der §§ 17 bis 19 des Steueranpassungsgesetzes – Gemeinnützigkeitsverordnung).

c) Economic activities (related/unrelated)

- Income from running a hospital/museum/opera
- Income from producing/selling books (e.g. art books sold by a cultural foundation)
- Income from running a bookshop inside a museum/opera run by the foundation
- Income from running a café in the hospital/museum run by the foundation
- Income from selling merchandise (activity not related to the pursuance of the public-benefit purpose)
- Income from intellectual property (e.g. royalties and licence fees)

Income from activities deemed to be commercial or industrial (including major shareholding) is subject to the regular corporate tax rate of around 30% (the exact tax rate

depending on the municipality in which the foundation's offices are located and in which the activities are carried out).

According to Article 161 (1) n° 1 L.I.R., organisations pursuing directly and exclusively purposes related to worship, charity or public benefit are exempt from corporate income tax. Industrial or commercial activities are not taxable as long as such activities remain only a means to fulfil the purposes defined in the statutes and if such activities exceed the scope of an asset management.

d) Income deriving from grant expenditure towards public-benefit purpose/programme activities (such as loans, guarantees, equities)?

As for income deriving from grant expenditure towards public-benefit purpose/programme activities (such as loans, guarantees, equities), it will be tax-exempt to the extent that such activities will not be deemed to be commercial.

e) Is major shareholding in a business undertaking considered as an economic activity and taxed accordingly?

See above.

16. Are capital gains subject to tax? If so, are they liable to corporate income tax or to a separate tax?

There is no separate capital gains tax in Luxembourg. Capital gains are included in ordinary income and taxed or exempted accordingly.

17. Does any kind of value added tax (VAT) refund scheme for the irrecoverable VAT costs of public-benefit foundations exist in your country?

Foundations are liable to input tax. They are generally exempt from output tax unless they regularly carry out an economic activity and qualify as "taxable persons" for the purpose of VAT legislation.

18. Is capital tax levied on the value of assets, where applicable?

Foundations are exempt from net wealth tax if, and to the extent that, they directly and exclusively pursue public-benefit purposes, including charitable and religious purposes (paragraph 3 of the net wealth tax statute/loi concernant l'impôt sur la fortune/Vermögensteuergesetz).

19. Are there taxes on the transfer/ sale of assets by foundations?

N/A

20. Are there any other taxes to which public-benefit foundations are subject to (e.g. real property tax)?

Foundations are exempt from real estate property tax if they directly and exclusively pursue public-benefit purposes, and the real estate is to be used for charitable purposes (paragraph 4 (3) b of the real estate tax statute/loi concernant l'impôt foncier/Grundsteuergesetz).

21. Can a foreign foundation (EU and other) get the same tax benefits as a national foundation according to the wording of the tax law in your country? If yes, under what conditions? If they have to fulfil exactly the same requirements as locally based public-

benefit foundations, please refer to above but indicate which documents need to be provided and translated:

- Statutes (translation required?)
- Last annual financial report (translation required?)
- Documents providing evidence for certain tax law requirements e.g. that income was actually spent for public-benefit purposes, which may not be required by the organisation's country of seat but are required according to the legislation of the country from which tax benefits are sought?
- Other

According to Article 160 L.I.R. non-resident organisations are liable to corporate income tax in Luxembourg on behalf of their native income in the sense of Article 156 L.I.R.

A personal tax-exempt status can be recognised for an organisation only if the tax administration (administration des contributions directes) can control and supervise the respect of the legal conditions.

22. Does your country have signed bi-lateral tax treaties, which provide for reciprocal tax treatment of public-benefit organisations? If so, with which countries?

Yes. Luxembourg has double taxation agreements with 88 different countries, which can be found on the [tax administration's website](#).

23. Does your country apply withholding tax to the income from local investments held by domestic and/or foreign-based foundations? If so, can domestic or foreign-based foundations reclaim all or part of the withholding tax under domestic law?

It depends on the tax legislation of the jurisdiction from which the income originates.

III. Tax treatment of donors

1. Is there a system of tax credit or tax deduction or other mechanisms such as tax allocation systems or matching grants?

Tax deduction.

2. Tax treatment of individual donors

- a) What tax relief is provided for individual donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

Donations from individuals and legal entities to public-benefit organisations are eligible for a tax benefit in the form of a deduction from the donor's income tax. Donations to public-utility foundations are deductible up to an annual aggregate maximum limit of 20% of the taxable net income of the donor or €1,000,000, provided the donations have an aggregate value in excess of €120. Amounts donated in excess of these limits can be deducted during the two subsequent years under the same conditions and limits.

- b) Which assets qualify for tax deductibility (e.g. cash, real estate, in kind or other)

The donation must generally be made in cash directly to the charity (except for donations to the National Culture Fund and to cultural institutions or organisations via the Fund, where a donation in kind is possible).

3. Tax treatment of corporate donors

- a) What tax relief is provided for corporate donors? Is there a minimum and/or a ceiling to a contribution on which tax incentives can be claimed?

Same tax treatment as for individuals, see above (Article 162 of the Income Tax Act).

- b) Which assets qualify for tax deductibility? (e.g. cash, real estate, in kind, or other)

Same tax treatment as for individuals, see above (Article 162 of the Income Tax Act).

4. Tax treatment of donations to non-resident public-benefit foundations: Do donors get the same tax incentive?

On 20 July 2009 the Luxembourg Government issued a circular that extends tax incentives for Luxembourg resident taxpayers if they give to recognised public-benefit organisations based in other EU countries, Iceland, Liechtenstein, Norway or Switzerland that have similar characteristics to their Luxembourg equivalents.

5. Other frameworks such as percentage law systems, whereby the donating taxpayer may assign part of the tax due to a public-benefit organisation?

None.

6. What are the requirements that the donor must fulfil and/or what is the information they must provide in order to claim tax benefits? What information must donors provide to their tax authority in order to receive tax incentives for their donation (e.g. submitting details on the organisation they support: statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)?

The donor must provide a receipt indicating the donor's name, the date of the donation, and the voluntary basis of the donation.

7. Are there any different or additional requirements to be fulfilled when a donor is giving to a foreign-based foundation? What information must donors to foreign-based organisations provide in order to receive tax incentives for their donation (e.g. statutes, annual financial report, documents providing evidence for certain tax law requirements, for instance to show that income was actually spent for public-benefit purposes)? Are translations of documents required?

Luxembourg tax law makes no distinction according to whether the recipient public-benefit foundation is resident in Luxembourg or in another EU or EFTA Member State.

The responsible Luxembourg authority will run a comparability test. Indeed, a foreign EU/EFTA-based organisation is qualified to receive tax-deductible donations from a resident Luxembourg donor if it 1) fulfils Luxembourg tax law and 2) is recognised by its state of residence as a public-benefit body (and as such is entitled to receive tax-deductible donations from residents of its state and is also exempt from income tax and wealth tax).

Luxembourg circular L.I.R. n° 112/2 of 7 April 2010 (*déductibilité des dons versés à des organismes ayant leur siège dans un autre Etat et reconnus d'intérêt général selon le droit de ce dernier*) requires the recipient organisation to fill in and sign a “cross-border donation” certificate (form 720), available online, in German, English or French, [on the tax administration website](#)), confirming and specifying the following:

1. Date of establishment of the organisation in accordance with the laws of the applicable State.
2. The organisation directly and exclusively pursues one or more of the following nine purposes: art, education, philanthropy, worship/religion, science, social issues, sports, tourism or development cooperation.
3. These purposes are recognised as leading to tax incentives in the state of establishment.
4. The organisation is exempt from income tax and wealth tax in its country of establishment; and resident donors would get tax incentives for donations to the organisation.

The donor has the burden of proof, and the authority may also require, apart from the above-mentioned certificate signed by the organisation, translated documents to prove the donation and the status of the recipient organisation (such as a receipt of the donation, the statutes of the foundation and the financial report of the recipient organisation).

8. Do donors get tax incentives when donations are done via specific tools such as:

- Requesting money in public (street, door-to-door)
- Via TV and radio campaigns
- Via sms
- Crowdfunding

Do they have to follow any kind of particular process? If so, which one?

There are no differences as compared to standard donations (cash, wire transfer, online donation).

IV. Tax treatment of beneficiaries

(i.e. those receiving a grant or other benefit from a foundation)

1. Individuals: Are individual beneficiaries of grants required to pay taxes or are the grants tax exempt?

See above and below, gift and inheritance tax. If the benefit qualifies as a donation, no other taxes are due.

2. Legal entities: Is there any legal/fiscal framework for beneficiaries conducting economic activities so that they can be eligible for foundation funding? Are there any limitations on the economic activities of the beneficiaries?

See above and below, gift and inheritance tax. If the benefit qualifies as a donation, no other taxes are due.

3. Are there any different or additional requirements that must be fulfilled by a beneficiary receiving funding from abroad?

N/A

V. Gift and inheritance tax

Gifts and inheritances received by the foundation are subject to a donation or inheritance tax, as applicable, normally at a reduced rate of, respectively, 4.8% and 4% on the net fair market value of the assets transferred. The tax does not apply to gifts or legacies by bequest that establish the foundation. Furthermore, gift tax is only due on registered gifts. Thus, informal gifts (so-called "*dons manuels*") to charities are not subject to gift tax.

1. Does gift and inheritance tax/transfer tax exist in your country and, if yes, who has to pay the tax in the case of a donation/legacy to a public-benefit organisation (the donor or the recipient organisation)?

The recipient organisation.

2. What are the tax rates? Is there a preferential system for public-benefit organisations (PBOs)? Which PBOs qualify? Is there a difference according to the region or the legal status of the PBO?

Not-for-profit associations and public-utility foundations.

3. Is there a threshold (non-taxable amount) from gift and inheritance tax for donations/legacies to public-benefit organisations?

No.

4. Is there a legal part of the estate that is reserved for certain protected heirs and which a donor cannot give to third parties?

Yes, forced heirship rules apply.

5. What is the tax treatment (inheritance and gift tax) of legacies to non-resident public-benefit foundations?

Provided that it can demonstrate that it is similar to a national public-benefit foundation, it will be subject to the same tax treatment (see also answer to Section II, question 21).

VI. Trends and developments

- 1. Are there current discussions about the question of whether cross-border activities of foundations or other non-profit organisations and their donors are protected by the fundamental freedoms of the EC Treaty? Have there been any changes to your country's legislation, resulting from the [Persche](#), [Stauffer](#), [Missionswerk](#) or other relevant ECJ judgments, or are changes being discussed? Any changes being discussed with regard to the free movement of trust structures resulting from the [Panayi Trust](#) and [Olsen and Others](#) cases?**

Changes have been made in 2009 in order to adapt the fiscal legislation to the Persche judgment. In situations similar to the one in which the Stauffer decision was rendered, Luxembourg courts should treat foreign foundations equally to Luxembourg foundations (the structure of Luxembourg tax law being similar to the structure of German tax law).

- 2. Has the fight against terrorism and financial crime led to the introduction in recent years of new laws/rules affecting the foundation sector (e.g. implementation of EU Anti Money Laundering Directive, or reactions to recommendations of the Financial Action Task Force)? Has it for example become more difficult to:**

- Set up a public-benefit foundation
- Obtain permission to transfer funds across borders
- If able to transfer of funds across borders, has the process become more burdensome administratively
- Open a new bank account
- Maintain a bank account
- Fund certain activities
- Fund certain regions/countries
- Fund certain organisations (please explain the reason - foreign funding restriction?)
- Report to authorities/deal with administration
- Other

Luxembourg has long been involved in the fight against ML / FT activities and takes care to mitigate the risks that arise in its jurisdiction. Luxembourg authorities undertake to uphold international standards and to apply best practices in the fight against ML / FT, and this jointly with their international partners as part of regular cooperation and through organisations and international forums. To this end, Luxembourg has implemented a series of reforms to its legal framework and its institutional structure, including the 4th AML Directive (Directive (EU) 2015/849) and certain dispositions of the 5th EU AML Directive (Directive (EU) 2018/843) in order to face natural changes in the risks incurred, the increased complexity of activities and their perpetrators, and to apply more stringent common international standards which were agreed with its international peers. Today, Luxembourg has a strong and proactive regime against money laundering and combating the financing of terrorism (AML / CFT) through prevention, detection and prosecution activities. It has also put in place a comprehensive control regime covering all of its legal structures (including foundations) and institutional and competent authorities to mitigate the risks inherent to ML / FT that the country has identified.

Luxembourg is also a member of the Organization for Economic Co-operation and Development (OECD) and a member jurisdiction of the Financial Action Task Force (FATF).

3. Does the national law consider foundations as obliged entities as defined by the Anti-Money Laundering Directive?

No.

4. Does the national law define/specify who is considered as a Beneficial Owner (BO) of a foundation?

Yes.

5. Does your country have a specific register for BO of legal entities/foundations or does the foundation/company/association register serve as a BO register?

Yes, Luxembourg has a special register for BO of legal entities.

6. Are there any other recent trends or developments affecting the legal and fiscal environment for public-benefit foundations in your country such as one or more of the following?

- a) Law revision in the pipeline
- b) Discussion about the role of supervisory authorities (civil law, charity regulator, tax authority) and collaboration among them? Decentralisation or centralisation of supervisory structures? Use of watchdog/rating agencies?
- c) Tendency towards more transparency requirements?
- d) Tendency towards more self-regulation? Self-regulation replacing hard law regulation?
- e) Tendency to use alternative forms to classic public-benefit foundations

The Luxembourg legislator introduced in December 2016 a new legal framework for companies with a social or societal impact, la société d'impact sociétal (SIS). The societal impact company (société d'impact sociétal - SIS) is a legal form of business reserved for businesses active in the social and solidarity economy. The Law derogates from the provision of the civil code by virtue of which a commercial company is normally driven by the aim of procuring a financial benefit for its shareholders. As a consequence, a SIS may provide in its articles of association that it is not incorporated with the view to procure a financial benefit for its shareholders.

Societal impact companies whose share capital consists of 100% impact shares can benefit from income tax exemptions. In respect of the same companies, donors are entitled to the same fiscal advantage, which is also granted to foundations.

f) Other?

7. Public fundraising: Are there any specific laws that regulate fundraising, and do they affect foundations?

There are no specific laws that regulate fundraising in the context of foundations.

VII. Further information

Useful contacts

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- [The FA / Loi du 7 août 2023 sur les associations et les fondations sans but lucratif](#)
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- Circular 112/2 ITL dated 7 April 2010
- Circular 112/1 ITL dated 8 November 2021

VIII. About

About Philea

Our vision is for philanthropy to use its full potential to co-shape and support a pluralistic, just and resilient society that centres people and planet. To achieve this, our mission is to enable, encourage and empower the philanthropic community to build a better today and tomorrow.

We nurture a diverse and inclusive ecosystem of foundations, philanthropic organisations and networks in over 30 countries that work for the common good. With individual and national-level infrastructure organisations as members, we unite over 7,500 public-benefit foundations that seek to improve life for people and communities in Europe and around the world.

We galvanise collective action and amplify the voice of European philanthropy. Together we:

→ **Co-create knowledge and learn** from effective practices

→ **Collaborate** around current and emerging issues

→ **Promote enabling environments** for doing good

In all we do, we are committed to enhancing trust, collaboration, transparency, innovation, inclusion and diversity.

philea.eu

Policy and advocacy at Philea

Philea champions the interests of its members vis-à-vis the EU and multilateral organisations. Through [our policy and advocacy work](#), we strive towards an enabling operating environment for European philanthropy by monitoring and analysing policy and regulatory trends at national, European, and international level, and engaging around this agenda with policymakers and other stakeholders. We position philanthropy as a key actor on societal issues and facilitate strategic engagement and collaboration opportunities, including public-private partnerships.

About this project

This country profile is part of a [larger analysis project](#), ongoing since 2002, which includes regularly updated profiles on the legal and fiscal landscape for philanthropy in some 40 countries across the wider Europe; and a comparative overview of the profiles compiled in our “Comparative Highlights of Foundation Laws”.

Legal Affairs Committee

Philea’s [Legal Affairs Committee](#) consists of legal and public affairs experts from Philea members, composed of both national associations and foundations, across Europe. The members of the LAC advise on Philea’s policy and advocacy work.

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