

As one of the wealthiest countries in the world, Luxembourg is an excellent place to expand your operations. Once you establish your business and hire employees, the next important step is setting up your Luxembourg payroll.

Instead of figuring out every aspect of compliance and your Luxembourg payroll options alone, Globalization Partners is here with a better solution. We can hire employees through our established subsidiary to work on your behalf. You'll get started faster, and your Luxembourg payroll will be as simple as possible.

Payroll Taxation Rules

Luxembourg has a robust social security program that covers everything from maternity leave to dependents insurance coverage to disability. Both the employer and employees contribute to the social security program at different rates. Employers give around 12.52% to 15.5% of an employee's gross salary.

Employers and employees also contribute to the country's healthcare system, which is one of the best in Europe. This state-funded system gives basic medical coverage to all citizens. Employers and workers each pay 50%.

The corporate tax rate is 22.47% on all taxable profits.

Luxembourg Payroll Options

You can choose from three main options when setting up your payroll in Luxembourg, including:

- **Internal:** You can also opt to run internal payroll at your Luxembourg subsidiary by hiring a full HR team and any other necessary staff. This option is more expensive and time-consuming.
- **Luxembourg payroll outsourcing:** If your company lacks the resources to operate your own payroll, you can outsource with a local company in Luxembourg. You will still be

held liable for any mistakes.

- Globalization Partners: Finally, you can work with Globalization Partners for your Luxembourg payroll outsourcing needs. We will take care of your payroll and put all liability on our shoulders.

What Is Required to Set up Luxembourg Payroll?

You'll need to meet a variety of requirements when you set up your Luxembourg payroll. First, you must register with either the Minister of Finance or the Inspectorate of Labour & Mines (ITM) based on your type of business. You'll then get a business permit from Luxembourg's social security authorities that allows you to start operations.

You'll also need a bank account from which to pay your workers. A company executive can set up a resident or non-resident bank account, social security identification, proof of work status, and various payroll forms. You should complete this process within eight days of coming to Luxembourg.

Necessary Entitlement and Termination Terms

The best way to establish entitlement and termination terms is through an employment contract agreed upon before an employee starts. Probationary periods are common in Luxembourg, so make sure you understand whether or not you are allowed to terminate an employee or required to pay severance during this term. You'll typically need to pay severance to any dismissed employee who has worked at least five years for the company.

Luxembourg Payroll Processing Company

If you're ready to expand to Luxembourg, Globalization Partners can help by providing Luxembourg payroll outsourcing services. Contact us today to learn more.