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Q3 2013

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A Potential Global Game Changer?

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LUXEMBOURG AMCHAM REPORT

Q3 2013

AMCHAM LUXEMBOURG
AMERICAN CHAMBER OF COMMERCE IN LUXEMBOURG A.S.B.L.

The American Chamber of Commerce in Luxembourg a.s.b.l. is an international voluntary organization of business persons committed to promoting English-speaking networking opportunities and business relations in the Grand Duchy.

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FIND OUT ABOUT OUR UPCOMING EVENTS:

A WORD From the Chairman

Dear Colleagues and Friends,

Welcome to the Q3 issue of connexion, your AMCHAM news magazine!

As I write this, Luxembourg is enjoying great weather, while at the same time going through an uncharacteristic bit of political intrigue. The events surrounding the Bommeleeër Affair have given way to a snap election on October 20 for a new Chamber of Deputies and a new government—and in the meantime, everything in the government is basically on hold.

Let us all hope that the people who vote will do the right thing and get this all sorted out—and then let's get back to the business of making Luxembourg a strong, attractive place for international companies; a great place to live and raise families; and a great place to make money!

For our part at AMCHAM, things are going pretty well. Membership moves in the direction of 400 members; the committees are solid and doing great work (problem solving, communicating information to members, lobbying with the government). My thanks to them all, both in the past and to come!

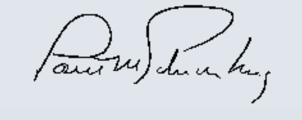
A special project for us will be to focus attention on the opportunity of the Transatlantic Trade and Investment Partnership (TTIP). This initiative by the U.S. Chamber of Commerce, which has the full endorsement of U.S. President Obama, has the potential to strengthen the economies of both Europe and the U.S.—and Luxembourg has the possibility to especially benefit. We just need to do a few things to strengthen the appeal of Luxembourg as a location for international business. AMCHAM will work hard on this issue in the coming months.

With this issue of connexion, we launch a further enhancement of our "Integration Issues" information initiative, which we started last year to help and support the integration of foreigners into Luxembourg. Let's face it: while Luxembourg is a great place to live and work, it can be hard for foreigners—particularly those who do not speak French, German or Luxembourgish—to get all the information on where to go, who to see and what to bring in order to get things done. In the past, we have tried to address these issues through the "Integration Issues" section (marked with an orange border) with the partnership and funding support of the Luxembourg Office of Integration (OLAI).

Now, however, we are taking that to a new level by publishing, in this issue and over at least the next three issues of connexion, the enclosed "Integration Issues" booklet, under the auspices of and with the funding support of the European Fund for the Integration of Third Country Nationals and OLAI. We hope you like the booklet and find it useful. Let us know what you think!

As always, we never forget that we are a member-driven organization; we are here because of you and to serve you. How can you help? Please give us your feedback and let us know what you want us to do: make sure we respond to your needs. At the same time, come to our events; tell your friends, and bring them along. Last, but certainly not least, encourage your friends in companies who are not members to become members. We are only as strong and dynamic as the strength of our membership. See the details on our website at www.amcham.lu and join us!

With respect and
my best regards,



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We take this opportunity to thank again our customers for their continued confidence in our ability to serve them.

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Our firm was founded in 1994. During the early years, we gained considerable expertise in litigation and advisory services to local clients. Our firm then resolutely also turned towards international and cross-border business.

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INNOVATION	
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Strategic Roadmapping	17th December 2013

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The LSC and the AMCHAM are pleased to announce a partnership to launch a new series of courses on Luxembourg's social, political and business environment. Seven pilot courses will take place on a weekly basis starting in November 2013.

The course is especially designed to meet the needs of residents and professionals with English as a first or second language who are interested in better understanding Luxembourg's economy and the national economic news.

AMCHAM LUXEMBOURG
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The detailed programme is available on the website www.lsc.lu/amcham.

Information and registration: www.lsc.lu

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A U.S.-EU Free Trade Agreement: A Potential Global Game Changer?

Source: AmChams in Europe

The Case for Investing in Europe

What's Right with Europe

The aggregate output of the European Union was estimated at 16.1 trillion USD in 2012 (PPP). The EU's economy is roughly 30% larger than China's and nearly 3.5 times larger than India's.

Europe is not only among the largest economic entities in the world, it is also among the wealthiest. In 2012, the EU accounted for roughly one quarter of global personal consumption expenditures, on par with the United States and around two-thirds larger than the BRIC's combined.

In the 2013 Ease of Doing Business rankings, 12 European economies ranked in the top 25 most business-friendly nations. Denmark ranked 5th, followed by Norway (6th), the UK (7th), Georgia (9th), Finland (11th), Sweden (13th), Iceland (14th), Ireland (15th), Germany (20th), Estonia (21st), Macedonia (23rd) and Latvia (25th).

Many European economies remain among the most competitive in the world. According to the World Economic Forum, Switzerland ranked first, Finland 3rd, Sweden 4th, the Netherlands 5th, Germany 6th, and the UK 8th. Meanwhile, Denmark ranked 12th, Norway 15th, Austria 16th, Belgium 17th, France 21st and Luxembourg 22nd.

Europe-based companies accounted for roughly 25% of total global R&D in 2010 and 2011. That lagged the share of the United States (32% in 2011) but was well ahead of the global share of R&D spending in Japan (11.4%), China (13.1%) and India (2.8%).

According to the National Science Board, of the world's global research pool, the EU housed 1.5 million researchers in 2008 versus 1.4 million in the United States. The EU accounted for 25% of the global total.

Why Europe Still Matters

For firms in the S&P 500, foreign sales in Europe (24% in 2011, the last year of available data) were greater than Asia (15.5%) and South America (less than 6%).

Between 2001 and 2012, U.S. affiliate income rose nearly fourfold, soaring from 54 billion USD in 2001, the year profits sank due to the transatlantic recession, to 214 billion USD last year.

Rising U.S. foreign affiliate earnings in Europe have underpinned more output and employment growth in Europe, more R&D expenditures across the continent, and more bilateral trade not only between the U.S. and EU but also between the EU and many other parts of the world.

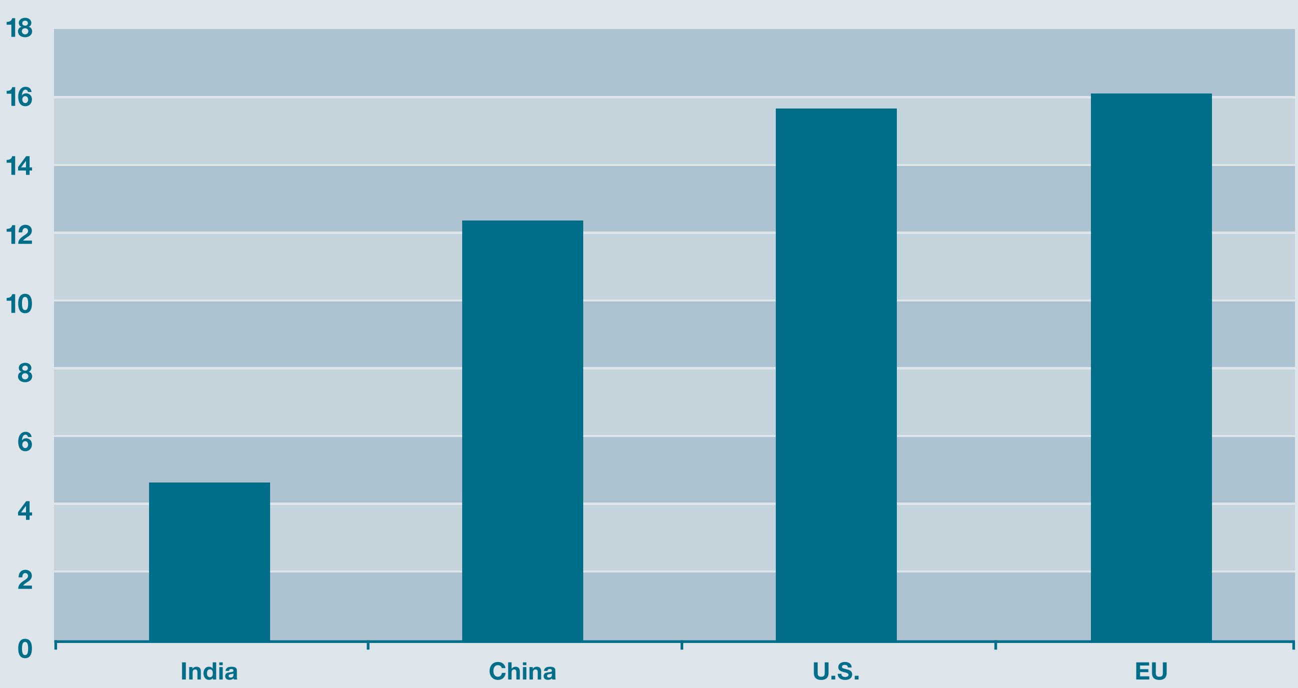
U.S. foreign affiliates in Europe have long been agents of growth in virtually every country that have operated in. For example, the gross output of American affiliates in Ireland represented roughly one-quarter of the nation's gross domestic product in 2011.

The China Next Door

More than 12% of corporate America's European workforce is now based in central and eastern Europe, up from virtually zero two decades ago. Affiliate employment in central and eastern Europe expanded at an average annual pace of 8.7% between 1999-2009 versus a comparable 0.8% rate in western Europe.

Consumerism—as measured by personal consumption expenditures—in central and eastern Europe has soared over the past decade—doubling between 1990 and 2005 and then nearly doubling again by 2011, when expenditures totaled 2.6 trillion USD.

EU GDP 2012 vs. the U.S., China and India
(% of global total, GDP based on purchasing-power-parity)



Source: International Monetary Fund

Data for 2012

Total EU-Turkey trade expanded 247% between 2000 and 2011. Total trade with Russia soared 561% over the same period; trade with Nigeria and its exploding middle class jumped 327% between 2000 and 2011. European-based U.S. affiliates have been a part of this surge, leveraging Europe as a springboard to the markets surrounding mainstream Europe.

Europe's extended periphery is massive in size and scale. Indeed, the total output of this geographic cohort is larger than China's total output. In 2012, the periphery nations produced 13.2 trillion USD in output versus China's 12.4 trillion USD (numbers are based on PPP).

In the aggregate, Europe's periphery consumed a staggering 2.8 trillion USD in goods imports in 2011—that is 60% larger than total imports of China and a figure larger than the world's top importer of goods, the United States.

A U.S.-EU Free Trade Agreement: A Potential Global Game Changer?

Momentum is building for a new and comprehensive free trade agreement between the United States and the European Union, with President Obama pledging his support for the plan in his State of the Union address. Such a deal would not only boost growth on both sides of the Atlantic. It would also strengthen the U.S.-EU economic axis relative to the developing nations and key emerging powers like China.

While a high degree of market integration already exists between the U.S. and Europe thanks to existing trade and investment agreements, much more can be done to fuse the world's two largest economies. A transatlantic free trade pact would not only be about reducing tariffs. It would also be about reducing non-tariff barriers and harmonizing the web of regulatory standards that inhibit transatlantic trade and investment flows and add to the cost of doing business on both sides of the ocean.

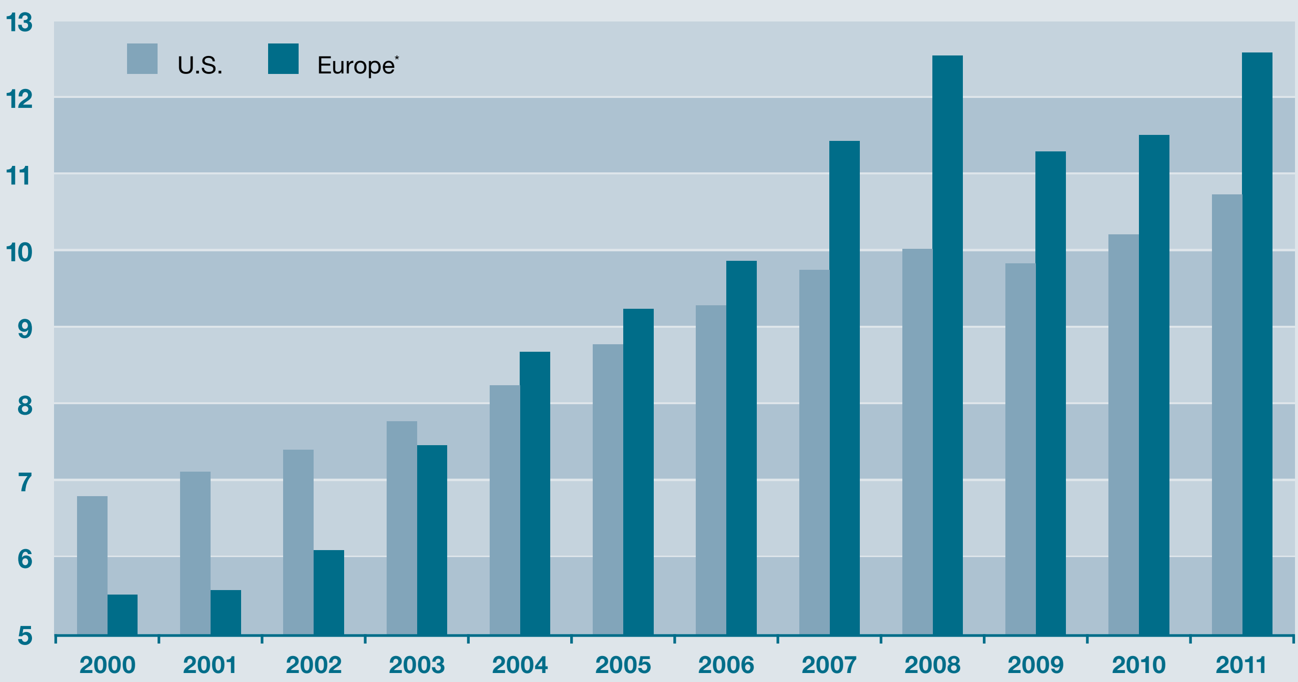
The issues are more micro than macro. An ambitious agreement would include the harmonization of food safety standards, e-commerce protocols, data privacy issues. It would also encompass the standardization of a myriad of service-related activities in such sectors as aviation, retail trade, architect, engineering, finance, maritime, procurement rules and regulations, and telecommunications.

The move towards a more barrier-free transatlantic market would also include product standardization so that a car tested for safety in Bonn can be sold without further tests in Boston. Or a drug approved by the Federal Drug Administration in Washington is deemed safe and market-ready in Brussels. Labeling and packaging requirements on both sides of the pond would be standardized, saving companies millions of dollars over the long run.

Technical regulations and safety standards are hardly headline grabbing topics but when these hurdles to doing business are stripped away, the end result is lower costs for companies, reduced prices for consumers and more aggregate demand of goods and services. That in turn spells more transatlantic trade and investment, with total trade between the U.S. and EU amounting to over 500 billion USD last year. Cross-border foreign direct investment (FDI) between the two parties topped 300 billion USD last year, making U.S.-EU investment ties among the largest and thickest in the world.

As for tariffs, average transatlantic tariffs are relatively low, in the 5-7% range, although tariffs remain quite high in such categories as agriculture, textiles and apparel, and footwear. So there is room for barriers to fall in a number of industries.

The European Consumer is Mightier than the U.S. Consumer
(Household consumption expenditures, Trillions of $)



Source: United Nations

* *Europe=EU27 plus Norway, Switzerland, Iceland, Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Turkey, Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia, and Ukraine.*

More importantly, in that a large percentage of transatlantic trade is intra-firm, or trade in parts and components within the firm, even a small decline in tariffs—which are in effect a tax on production—can lower the cost of producing goods and result in lower prices for consumers on both sides of the pond. The more intense the intra-industry trade component of trade between two parties, like the one that characterizes U.S.-EU trade, the greater the effects and benefits of lower tariffs.

And in addition to trade in goods, there are services, with the transatlantic service economy the sleeping giant of the partnership. Unleashing service activities requires that existing regulatory rules and regulations be eliminated or reduced, which means doing away with "behind-the-border" barriers that include complex domestic regulations, cumbersome licensing and qualification requirements, and duplication of professional credentials, to name just a few barriers.

At a broad and macro level, a study by the European Commission found that eliminating or harmonizing half of all remaining tariffs and non-tariff barriers on bilateral trade could add up to 1.5 percentage points to growth over the medium term on both sides of the ocean. The European Centre for International Political Economy, meanwhile, estimates that a deal could boost U.S. exports to the EU by 17% and EU exports to the US by 18% over time. The figures are not overly large but given how large the U.S.-EU economies are today—combined, the U.S. and EU account for over half of world GDP—even a small percentage increase in trade or investment translates into a large increase in aggregate output.

In addition, given that both parties are hobbled by massive debt obligations and chronic deficits, any growth strategy should have a net positive effect on the transatlantic economy. A free trade deal would help create jobs and income on both sides of the pond, and spur more cross-border trade and investment in goods and services. The more far-reaching the agreement, the greater the impact on key sectors of the transatlantic economy, notably in services where there is plenty of scope for further integration.

That said, a U.S.-EU free trade agreement would do more than trigger economic activity. It would help reinvigorate a critical bilateral relationship that has been badly frayed and fractured over the past decade. Indeed, the last ten years have been among the rockiest in decades for the transatlantic partnership.

Transatlantic solidarity and cohesion has been undermined by the increasing frequency of economic recessions on both sides of the ocean. The U.S. dotcom bust and ensuing transatlantic recession in 2001, the U.S.-led financial crisis-cum-recession in 2008 and Europe's sovereign debt crisis of 2010—all of these economic shocks have taken a toll on U.S.-EU economic relations and eroded bilateral trust and cooperation.

Comparing FTAs

(Billions of $ unless otherwise specified)	Transatlantic FTA	Transpacific FTA	North American FTA
GDP (Purchasing Power Parity)*	16,093	10,792	3,247
% of World Total*	19.4%	13.0%	3.9%
Population (thousands)*	503,179	476,515	150,822
% of World Total*	7.1%	6.8%	2.1%
Per Capita Income ($)*	35,087	24,918	19,866
PCE	10,195	6,783	1,744
% of World Total	25.0%	16.6%	4.3%
Exports	5,854	2,801	802
% of World Total	32.8%	15.7%	4.5%
Imports	6,063	2,811	882
% of World Total	33.1%	15.3%	4.8%
U.S. Outward FDI Stock to…	2,094	843	410
% of U.S. Total	50.4%	20.3%	9.9%
U.S. Inward FDI Stock from…	1,573	596	225
% of U.S. Total	61.8%	23.4%	8.8%
U.S. FDI Income Earned Abroad	177	105	53
% of U.S. Total	38.7%	23.0%	11.5%
Foreign FDI Income Earning in the U.S.	95	33	13
% of U.S. Total	62.9%	22.1%	8.5%
Foreign Affiliate Sales of U.S. MNCs in…**	2,107	1,568	761
% of U.S. Total	40.8%	30.3%	14.7%
U.S. Affiliate Sales of Foreign MNCs from…**	1,609	824	245
% of U.S. Total	52.1%	26.7%	8.0%

*Sources: IMF; UN; and BEA. Data for 2011 *Data for 2012 **Data for 2010*

Add in Europe's sovereign debt crisis, juxtaposed against robust economic growth in China, India and the developing nations, and there is little wonder that many in Washington now believe Europe is increasingly irrelevant on the global stage. The rapidly ageing, heavily indebted, and increasingly fragmented continent is viewed more of a withering partner of the United States than an engaging, forward-looking and dynamic ally. Hence the strategic "pivot" towards Asia.

But enter the prospects for a free trade agreement. Such a deal—if comprehensive and far-reaching—could be just the spark that re-galvanizes a bilateral partnership responsible for constructing and maintaining the global economic order of the post-war era. A free trade agreement could halt the divergence of interests between the U.S. and Europe, and instead, spawn a new dawn of cooperation and convergence between the world's two largest economies.

Under this scenario, the transatlantic economy, the largest commercial artery in the world, would be revived. The global clout and credibility of the United States and Europe would be restored. By coming together as opposed to drifting apart, the U.S. and Europe would remain the standard bearers of the global economic architecture. Whatever the common standards of a free trade agreement, and whatever the harmonization and standardization of industry/sector regulations, a transatlantic deal could become the template by which the United States and Europe negotiate with various emerging market economies, China included.

In this sense, a transatlantic free trade agreement would serve notice to the developing nations that the world's two largest economies can still work together, and when they do, they still have a great deal of global economic leverage over most, in not all, developing nations.

In the end, a sweeping free trade agreement between the United States and the European Union would be a global game-changer. The deal would reverberate around the world. And in time, Washington and Brussels would come to realize that the best way to promote growth and rise to the challenge of emerging powers like China is by working together, not apart.

Photo: Stephen Roberts

Minister Outlines Challenges Ahead for Luxembourg Labor Market

By Cordula Schnuer, wort.lu/en

Luxembourg's Labor Minister Nicolas Schmit outlined some of the challenges the Grand Duchy's job market is facing at an ABAL last season.

Schmit addressed what he called the labor market "paradox," which sees unemployment rising even though the country continues to produce jobs.

The minister said that there were several factors contributing to this issue, including a low level of skills among many jobseekers. Schmit explained that more than half of all jobseekers are considered unskilled, with some 60% of unemployed youths thought to have only a low level of skills.

Additionally, a steady influx of people to the country adds to the burden, Schmit said, pointing out that only around 30% of those registered with the employment office ADEM are Luxembourg nationals.

Furthermore, a higher number of people is leaving the labor market, with low chances to re-enter, such as the so-called "reclassés", workers who are no longer able to carry out their work due to various reasons, such as health problems.

Job Creation Slowing Down

At the same time, the number of jobs being created is slowly shrinking, with some sectors, such as manufacturing especially affected. In 2012 and 2013 alone, some 700 jobs in manufacturing were lost, the minister said.

While Luxembourg is comparatively well-off, in light of economic troubles elsewhere in Europe, the problems at home are nonetheless significant, Schmit said, with unemployment at a record high of 6.7%.

With a reform of ADEM underway, Schmit said that it was also necessary to bring education and the economy closer together, allowing students to get an insight into the realities of the labor market.

Efforts also need to be made to get graduates and young people into the job market as quickly as possible, with Luxembourg joining the European Youth Guarantee initiative, which aims to get young people a job, traineeship, internship or other type of training within four months of graduation.

Open Borders Beyond Europe

Another issue to be addressed is training and lifelong learning to keep older workers employed, as well as making it easier for women to enter the workforce and making work and family more compatible for both men and women to create equality in the labor market.

At the same time, Luxembourg needs to open its borders for highly-skilled workers to contribute to productivity, innovation and a knowledge economy. To this end, Luxembourg needs to look beyond the borders of Europe, Schmit said, adding that immigration should not be over-controlled with distrust.

Instead, the minister wants to encourage mobility, making immigration processes more rapid and flexible—words which were welcomed by the international business community at the lunch.

Opportunities and Pitfalls in the U.S.: The U.S. Market for European Midsize Corporations

By Stefan M. Tiessen, J.D., Smith, Gambrell & Russell

The world's largest harmonized internal market beckons and presents great opportunity to those with entrepreneurial drive. In many ways, U.S. market conditions are quite similar to conditions found in Europe. However, one can avoid "learning the hard way" if one understands the sometimes subtle but substantial differences between the European and U.S. markets. Remaining acutely aware of the specific characteristics and demands of the U.S. market will pave a smoother road to commercial success.

Many U.S. investments suffer from the following typical, yet avoidable, flawed approaches and misconceptions.

Customer Expectations

Don't assume Americans want your product as much as Europeans do. Before entering the U.S. market, a foreign corporation must determine that there is a clear and scalable demand for its product. Prior to any marketing or sales activities, it is imperative to conduct a thorough—be it internal or external—market analysis and adjust products to the U.S. market's demands in place. Consumption habits, distribution channels as well as market conditions in the U.S. are often different from those in Europe, and adjustments must be made by foreign participants.

Second, many European business people do not have an appreciation for U.S. customers' high expectations for first-class marketing, customer service and availability of parts and labor for product add-ons and maintenance. Due to its insular geographic location and the resulting attitude, the U.S. has little understanding of, or patience for, the challenges facing the geographically distant European supplier. The American marketplace demands an immediately responsive, tangible presence from every market participant. To achieve this presence, European participants may form a U.S.-based joint venture, work with an importer or create a full-blown U.S. subsidiary.

Third, very often foreign companies don't do enough planning for operating in the U.S. For example, they haphazardly select inappropriate U.S. locations for their operations. In many instances these decisions are not guided by strategic business parameters, such as proximity to the customer or the presence of suppliers. Like any business investment in overseas markets, the U.S. business investment needs to be well planned and executed, and careful consideration must be paid to hiring appropriate and competent employees. Also prior to the incorporation of a subsidiary or joint venture, the relevant U.S. work visas must be obtained.

The Legal System

Although the U.S. is a nation that is based on entrepreneurial freedom, it is, however, not a country without regulations. Rules can often be found where the European investor least expects them. For example, until recently there was no mandatory public health insurance. On the other hand, U.S. employers must comply with much more onerous anti-discrimination rules in the workplace than their European counterparts.

Strictly speaking, the U.S. consists of 51 different legal systems, since private law is governed by individual state law. Federal law mainly governs issues like taxes, securities, patents and immigration.

Many European entrepreneurs underestimate or do not recognize the governing principles of conflict resolution in the U.S. through individual justice. Employment law and product liability are typical areas in which this phenomenon occurs. Citizens' decisions (so-called juries) are often guided by socio-political considerations. Contingency fee arrangements (where the lawyer receives a share of the award) have led to widespread litigiousness unknown in Europe. In the U.S., there is nothing odious about bringing a business-related law suit. European business people have to realize that fact and adjust to this new reality by protecting themselves against costly law suits through solid corporate structures, contractual arrangements and other measures.

The Importance of Contracts

There also are considerable differences between the European and U.S. marketplaces regarding commercial contracts. To be enforceable, U.S. contractual provisions most often must be written in black and white. Due to the lack of statutory law, contractual agreements are much more needed in the U.S. (and more widespread) than in Europe. European investors often fail to take agreements seriously and hope for sympathetic U.S. courts, often suffering devastating consequences as a result. Therefore, it is only logical that the role of the American legal advisor is traditionally much more pronounced than in Europe, with respect to both business advice and litigation. The understandable inclination by European businesses to save money on legal fees can lead to disproportionately substantial costs in case of a legal dispute.

The European business person doing business in the U.S. is well advised to heed the English proverb, "When in Rome, do as the Romans do." Navigating the U.S. market on its own terms, as opposed to assuming European conditions, can prevent costly mistakes and lay the foundation for a successful business in America.

Interested in learning more?

Join us for our ABAL luncheon on October 7, where Stefan Tiessen will be the guest speaker.

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Seizing the Opportunity for Family Offices in Luxembourg

By Henk van Eldik, Financial Services Committee Chairman *Photos: Stephen Roberts*

On June 27, the Financial Services Committee organized an event on a new niche market in Luxembourg, namely family offices. In 2009 we organized a similar event on philanthropy with the purpose of setting the scene and informing people in Luxembourg about what was then a new niche. Since then, the industry for philanthropy has gained more traction. There are still things that can be improved, such as the time it takes to get a new foundation approved, especially if one compares this to other countries such as Belgium. The other point for which there is demand is a trust vehicle for families to preserve their capital in the long term, which leads us into the world of family offices.

Luxembourg is proud that it is the first country in the world to introduce legislation for the family office profession. The objective of the law is to provide a legal framework which sets the minimum requirements to establish a family office in terms of capital (50,000 EUR) and substance (two persons who have a sound professional experience). The audit has to be performed by authorized independent auditors. The usual rules on anti-money laundering and terrorist financing apply, as do legal provisions regarding professional secrecy. Single family offices are excluded from this law—and the good news is that many can perform family office activities without a license, such as credit institutions, investment advisors, wealth managers and domiciliation agents. This also applies to attorneys at law, notaries, independent auditors and chartered accountants.

Today only one company has a business license as a family office; initially this may sound surprising, but if we look at the long list of companies that can offer these services without the license, it is logical that this number is still low and may remain low for some time. In due time, many of these exempted organizations may still ask for such a license as they want to prove the independence and Chinese walls between, for example, the accountancy company and the multi-family office. We also need to realize that many family offices in Luxembourg are single-family offices.

Family offices, like the families they represent, normally prefer to remain private; however, two different family offices were willing to share their experiences with us during the evening AMCHAM seminar, which attracted over 130 attendees. As one family office represented a European and the other a Chinese family, we were also able to effectively compare and contrast two different examples and, although some differences do exist between the new and old world, many things never change.

So what stays the same? The functions that family offices offer are largely the same all over the world—it is normally the family that decides which services to use. It is also the number and depth of services which determine the size of family wealth needed. For example, for a single family office with all services provided, it takes at least 500 million to 1 billion USD to make it worthwhile. For families in a multi-family office setup, it is often sufficient to have 50 to 250 million USD, whereby the first family will largely just use legal/tax and investment services.

While there are no set rules on what services a family office should or should not offer, there are common investment and finance-related services that most of them provide for their clients. Many of these advanced services are not or are only partly available within a private banking or traditional wealth management setting, simply because these are only affordable for the most affluent clientele. On top of this, for many banks it is not profitable to offer services like tax management and advisory, cash flow budgeting and management, supporting the family business and providing advisory services, including multi-generational wealth transfers. The family is often involved in charitable giving as well, but likes their donations to have a true impact with non-profit organizations.

Family offices also offer expertise on constructing and/or selecting investment portfolios and products. Next to plain vanilla investments in stocks and bonds, families tend to be involved in alternatives such as private equity and hedge funds. Traditionally, families also have been strongly involved in real estate, both for residency and investment purposes. To make this work, many have invested heavily in systems, reporting and institutional consultants to help select the most appropriate alternative investment managers and products for their high-net-worth clients.

During our event, we discovered the main difference between the European and Chinese family office panelists was that where Chinese are often first generation high-net-worth individuals, with Europeans this is typically second or third generation, whereby the first generation often has a strong voice. This also means that while for the European family office the focus is more on capital preservation, the Chinese family office is also strongly looking for capital growth.

Although Switzerland has traditionally been the place for private banking and family office services, the developments in past years have caused people to begin contemplating. For example, the interventions of the U.S. tax authorities with Swiss banks have made people aware that every fortress can be broken, and for EU residents it is better to have money in an EU country with a stable political and tax system. Fortunately, Luxembourg has worked hard in the past several years to make it clear that it is not interested in non-declared money. The fund industry implemented these rules already before the millenium change, and banks reinforced their rules and efforts after the global financial crisis in 2008.

If one combines the technical knowledge available in Luxembourg between the fund, banking and insurance industry consisting of product providers, lawyers, auditors, custodians and banks, there is a huge knowledge base that family offices can tap into. Because most of these players are also internationally focused, the knowledge is not limited to the home countries but covers all the countries where the fund companies distribute their funds and locals buy the products.With the Fondation de Luxembourg, there is also a knowledge base for charitable donations, and the new Luxembourg Freeport will also allow storage of luxury goods.

It is clear that Luxembourg has made another step into broadening its services in the financial industry. Family offices themselves may not create substantially more jobs (as is expected to be the case with AIFMD implementation, for example), but the growth of these companies will create a number of positions within the organizations supporting them. At a time when private banking catering to the mass affluent in Luxembourg is decreasing, the services to ultra high-net-worth individuals is a welcome alternative to the expertise already largely available.

The Art of Personal Branding

By Roger Claessens, R.J. Claessens & Partners

According to Gerry McGovern, author of *Killer Web Content*, “This is an age in which we need to brand ourselves, an age in which professionals have become—to a lesser or greater degree—an organization of self-dependence!” Branding is, after all, about differentiation. The origin of the word stems from the mark given to cattle so that they could be recognized by their owners. Thus, being recognized is the first step. However, personality is the key element behind your brand and what it stands for. Branding is your story.

There is a lot of noise out there. How are you going to get people’s attention? How can you apply the lessons of branding to yourself? What’s in it for you?

What does a brand mean?

A brand holds many associations. Think about Citibank, for instance: “Citi never sleeps”. The association created with this brand is that it is possible to do your banking 24/7. In another field, take Audi’s “Vorspung durch Technik” (roughly translated as “Advancement through technology,”), meaning that Audi has technical superiority and the association being that Audi cars are indeed technically advanced. A brand is usually associated with a logo and typical brand colors and slogans. Citi, for example, is associated with the well-known Citi blue, while HSBC uses red and white, ING uses orange, and so on. These colors become quickly identifiable with their respective brands. The same is valid for logos that represent a brand. Think about the logo of Starbucks. It does not highlight what the company is selling; it just shows a siren in a green circle which may call to mind a moment of peace, a moment for you, a bit of magic in the middle of a hectic world. Words are no longer needed, as we just know what it stands for.

The design of a solid logo is partly the graphic designer’s concern, but is the company behind the logo professional? Is the action of branding about design or about the quality that is behind that design? Is it about selling wind or selling substance? Is it merely a logo, or is it about the search for excellence? Factually, a brand equals a promise and should match expectations. Think about the brands of perfume which sell much more than perfume—some also sell a lifestyle, a personality. To take a great example, think of the enduring success of Chanel—its print ads, videos and more sell more than a fragrance. They sell the idea of a pleasure, a luxurious lifestyle, a moment for you.

Using Branding to Your Advantage

Today, more than ever, the professional has a double challenge: first, being recognized, as there is tough competition in every field; and secondly, being seen as not just different, but better than the competition. Even if you are a real professional, you still have to ascertain that others know it. One might think that with new media this is easier than it was before, but keep in mind that not all of us use the same channels. Your voice is quickly lost in the noise.

Your challenge is selling yourself as a brand by all possible means in a coherent, systematic manner using all the tools of classical marketing. Look at yourself as a product. Most successful products are successful due to pure marketing techniques. Think about yourself not just as a marketable product, but as an augmented product which has its own unique, sellable features. There are a lot of excellent singers out there, but Lady Gaga has over 58 million Facebook "likes" mainly because of raw marketing techniques! She uses every single available marketing tool. Harvard University introduced a course covering the ingredients of her marketing success.

Tips for Personal Branding

The following is a short list of things you can do on a day-to-day basis in order to be branded. Many of the items on the list are also key features of a successful corporate culture, as one might expect. To effectively brand yourself, try to:

- Be a person open to learning.
- Create a disciplined environment.
- Possess a strong code of conduct.
- Have a team spirit when working with others.
- Be people-oriented and deepen your relationships with others over time.
- Be conscious that people pay for added value only.
- Stay involved.
- Have an audience mentality.
- Write the way you talk to convince someone.
- Chat, even when there is nothing really that dramatic to say.
- Be highly motivated.
- Have the capacity to listen.
- Be on a permanent search for excellence.

Why is your personal branding so important?

Scott W. Ventrella, in his book *Me, Inc.*, writes, "Remember you are the CEO of yourself. If you were an employee of your company, would you follow you? Taking control of our lives has never been as challenging or as important as it is today as we can no longer depend on our employers or even partners to provide for us. We must be self-reliant."

Through branding, you will first and foremost get a reputation. Your reputation will precede you. The remaining challenge will be to keep up with your reputation, which is much more fun and rewarding than the first phase of branding! You will achieve this by applying the aforementioned tips as a matter of routine. True, it will require unwavering discipline day after day, but that is what success requires. Keep in mind this statement by Jeff Bezos, Founder of Amazon.com: "Your brand is what other people say about you when you're not in the room." And one last quote by Gerry McGovern—something to really keep in mind—is, "People read everything in the way they read road signs as they are driving down the motorway – if it is not obvious they won't see it!"

You *can* stand out.

Risk of Non Recovery of VAT on Non-Compliant Purchase Invoices

By Yannick Zeippen & Tomasz Marczukiewicz, EY Luxembourg

Make sure the invoices issued by your service/goods providers are compliant with the VAT law. You had better not count on mercy from your local VAT authority. The Court of Justice of the European Union (CJEU) has just ruled in case C-271/12 (Petroma) that national tax authorities are entitled to refuse input VAT deduction where the purchase invoice lacks required information, even when the missing information is obtained after the VAT audit.

Background

A Belgian company, Petroma Transports S.A., issued inter-company invoices for services supplied to other group companies. The recipient companies were subsequently audited and the relevant invoices were inspected. The invoices were found to lack information required under Belgian national law.

The tax authority therefore disallowed the deductions made by the companies on incoming services on the ground of non-compliance with the requirements laid down in the national law. Subsequently, additional information was provided by those companies but was not accepted by the tax authority as a sufficient basis to allow the deduction of the various VAT amounts.

After a long process, the Court of Appeal decided to stay proceedings and to refer the following two questions to the CJEU for a preliminary ruling:

First, it sought the answer to the question of whether a Member State was entitled to refuse to allow a deduction of input VAT to the recipients of services being in possession of invoices which are incomplete but have been supplemented by the provision of information seeking to prove the occurrence, nature and amount of the transactions invoiced.

Admittedly, the first question is of crucial importance mainly to businesses. On the other hand, it is quite interesting to see how the CJEU dealt with the second question raised in the case at hand which was very dangerous—even potentially devastating—for the national budgets of Member States across the EU. Namely, is a Member State not required to repay the output VAT which has been paid to it by the service provider on the disputed invoices?

Let’s see how the CJEU dealt with these two questions, the grounds for its decision and how it affects the daily work of businesses across the EU.

Business’ Rights Must be Underlined

We should bear in mind that the right to deduct VAT is a fundamental principle of the common system of VAT which cannot, in principle, be limited and must be opened in respect of VAT charged on input transactions.

The deduction system established by the EU VAT law is intended to relieve the trader entirely of the burden of the VAT payable or paid in the course of all his economic activities. The common system of VAT consequently ensures neutrality of taxation of all economic activities, whatever their purpose or results, provided that they are themselves subject to VAT.

The rules governing the exercise of the right to deduct provide that businesses must hold an invoice issued in accordance with the relevant articles of the VAT Directive.

In the case at hand, according to the appellant, the fact that the invoices did not contain certain details required by national legislation should not call into question the exercise of the right to deduct VAT, especially when the occurrence, nature and amount of the transactions have been subsequently demonstrated to the tax authority.

Correction of the Invoice is in Principle Allowed, with Exceptions

Indeed, the common system of VAT does not prohibit the correction of incorrect/incomplete invoices. In fact, the CJEU has already pointed out that, in case where all of the material conditions required in order to benefit from the right to deduct VAT are satisfied and, before the tax authority concerned has made a decision, the taxable person has submitted a corrected invoice to that tax authority, the benefit of that right cannot, in principle, be refused on the ground that the original invoice contained an error (Pannon Gep Centrum Case C 368 / 09).

Timing is Essential – A Clear Message Has Been Delivered

However, it must be stated that, in the case at hand and contrary to the aforementioned Pannon Gep case, the information necessary to complete and regularize the invoices was submitted after the tax authority had adopted its decision to refuse the right to deduct VAT.

Consequently, the CJEU decided that deduction of input VAT may be refused to taxable persons who are recipients of services and in possession of invoices which are incomplete, even if those invoices are supplemented by the provision of information seeking to prove the occurrence, nature and amount of the transactions invoiced after the decision to refuse deduction was adopted.

Hence, because the invoices were incomplete, the disallowance of input tax was lawful. The taxpayer's attempts to rectify the position were too late and to no effect since the tax authority was not able to ensure the correct collection of the VAT at the appropriate time.

Attempt to Remedy the Loss by Refund of Output VAT

The question then arises whether the charging of output VAT by the service provider may be conditional upon the actual exercise of the VAT deduction by the recipient of those services. Consequently, since the input VAT deduction right was refused because the invoice was incorrect, it should be checked whether the transaction could be canceled and the output VAT refunded by the authority. Let's see how the CJEU dealt with that point of view.

The CJEU firstly stressed that VAT is to be levied on all goods and services supplied for consideration by a taxable person. Then it pointed out that the common system of VAT does not make the charging of that VAT, by the taxable person who is the service provider, conditional upon the actual exercise of the right to deduct VAT by the taxable person who is the recipient of services.

In the case at hand the right to deduct was refused due to the absence of certain compulsory particulars on the invoices issued by the service provider. However, since, it was confirmed that the services subject to VAT were in fact provided, the VAT relating to those transactions was due and was correctly paid to the tax authority.

Consequently, the CJEU stated firmly that the principle of fiscal neutrality cannot be invoked to justify the refund of VAT in the situation at hand. It should be noted that any other interpretation would be liable to encourage situations that may prevent the correct collection of VAT due. Taking into account the fact that revenue from VAT constitutes the core of national budgets, the Ministers of Finance and National Tax Directors across the EU certainly welcomed this decision.

The Grand Duchy's Position

The Petroma case raises awareness of the fact that incomplete or otherwise non-compliant invoices may create financial risks for customers who have paid the VAT to their suppliers and are seeking input tax recovery or credit from the tax authorities. It also shows that any rectification of non-compliant invoices is time-limited, and that any corrective action post-audit may have no effect.

The Luxembourg position under current legislation is in line with this case-law. According to the Luxembourg VAT law dated March 29, 2013, and the Luxembourg Circular n° 762 dated April 4, 2013, failure to meet national rules can lead to the disallowance of input tax as far as domestic transactions are concerned, while failure to meet the VAT Directive rules can lead to the same when cross-border transactions are concerned. Since the national rules do not impose additional requirements which would not be contained in the VAT Directive, the Luxembourg law is also in line with the case Pannon Gep Centrum, which confines the risk of refusal of input tax recovery because of a non-compliant invoice to situations where the express obligations of the VAT Directive are not met.

This means that where one or more of the detailed requirements identified in Article 226 of the VAT Directive or in Article 63 of the Luxembourg VAT law are not met, this judgment presents additional grounds for the Luxembourg authority to assess taxpayers for non-compliant invoices relating either to domestic or to cross-border transactions.

What Should Businesses Do?

Businesses receiving VAT invoices should check that they have adequate controls in place to ensure that purchase invoices—including inter-company invoices—are fully compliant, and that any non-compliant invoices are challenged promptly. It should be noted in particular that this case involved inter-company invoices for services. In general, these often contain less detailed descriptions than invoices for goods, and may not always be subject to the same systems, processes and controls as external invoices.

This will be particularly important for businesses that operate shared service centers or rely on a business process outsourced service provider to handle and post accounts payable invoices.

Businesses that issue VAT invoices should ensure that they are complete and fully compliant with EU Directives, in order to minimize the risk of customers seeking to recover from them VAT that has later proved to be irrecoverable. Suppliers should also ensure that they have procedures in place promptly to correct any non-compliant invoices that may be challenged by customers.

It should be stressed that only the issuer of the invoice is entitled to correct an invoice. Consequently, in the case of self-billing, the issuer should send the invoice upon its correction to the supplier for confirmation and only then can such an invoice be recognized as being effectively corrected.

Going Green in the Office: Why Everyone's a Winner

By Guillaume Perrodin, Property Partners

The green building concept is gaining real momentum globally because it focuses on environmental and resource-efficient methodology as well as enhanced well-being and productivity for occupants. Building on the classic values of building design which include economy, utility, durability and comfort, green building techniques can go a whole lot further to create high performance, sustainable buildings that have a reduced effect on both the health of human beings and the natural environment alike.

Green practices are built on the foundations of efficient use of energy, water and other resources, as well as the notion of creating a productive and healthy work environment for occupants—all of this while reducing waste, pollution and environmental decay. What this means is that by converting to green, owners increase the attraction of their property, either from a rental or resale point of view; tenants save on operating costs, and occupants enjoy a truly enriched working environment.

The Clear Benefits of Going Green

For Property Owners

While most are familiar with the environmental benefits of green buildings, many are less aware of the economic and social benefits that come from going green, particularly in the office. At a high level, the economic benefits for property owners include improved yields and enhanced values. In fact, there is now growing evidence to suggest that overall values of green buildings significantly exceed non-green buildings. Rents and transaction prices in green office buildings are generally accepted as surpassing those paid for conventional office buildings, and some figures quote increases of up to 6% in rental income and 16% in transaction prices.

But the benefits go much further: in a highly competitive marketplace, making your property stand out from the crowd is essential, and going green is a great way to do this. There is no doubt that there is a growing demand for green buildings by discerning tenants, and the current trend suggests that once those tenants are in place, they are more likely to stay because they know they've found a great solution to their needs. In today's tough economic climate, finding and retaining quality tenants is of great importance to owners.

For Tenants

Add to these owner-related benefits the decreased operating costs, improved productivity and enhanced corporate image enjoyed by tenants, and you begin to see why going green goes well beyond the interests of property owners. Corporate Social Responsibility is high on the agenda of most forward-thinking companies these days, and one of the most public ways a company can demonstrate its commitment to this notion is by choosing a green building. Turning a non-green building into a green building makes complete sense when you take into account the enhanced financial value and social welfare it may bring. At an energy saving level alone, it is estimated that around 30% savings can be made on utility bills—a clear significant value for the tenants. But in many ways, it's the productivity and health benefits of the occupants that may come as a real surprise.

For Occupants

When it comes to the people working in these buildings, there is no getting away from the fact that green efforts, even at a basic level can result in increased comfort, heightened satisfaction and an overall positive impact on health and quality of life. In fact, studies have suggested that an improved work environment offers significant cost savings from the employer's point of view as this work environment impacts employee productivity, health and absenteeism. With a staggering number of working days lost annually even in Europe due to absenteeism, there is a real case to minimize that lost revenue. Factor in the improved image and reputation enjoyed by organizations that choose to be green, and it's easy to see why more companies are moving in that direction.

Green Isn't Only for New Builds

If you're reading this and thinking that these benefits can only be incorporated into a new build, it's time to think again. Converting to green isn't as costly or as complex as you might think, and these benefits truly pay dividends, regardless of whether you're an office owner, a tenant or an employee.

Buildings that are in use and are converted to green status benefit from all the green elements you'd expect. When we take on a green "in use" conversion, we focus on the management of the whole transition process, as we believe there is little or no point in making the decision to go green if everyone involved in either the ownership or the day-to-day use of the building isn't ready to embrace the concept. Indeed, we suggest to anyone converting to green to adopt a highly participative and inclusive approach to the overall project.

Here are just some of the management and communication elements we have already incorporated into green conversions:

- Using technology to promote the occupant's green project on large screens in office receptions and public areas to make sure everyone visiting the building is *au fait* with the building's green commitment;
- Fastidiously monitoring energy consumption against fixed objectives and projecting the results on screens throughout the building in order to encourage participation in the concept;
- Meticulously inducting all occupants on green policy;
- Encouraging the development of occupant committees to facilitate two-way communication regarding the performance of the project and the identification of further green development opportunities.

Further aspects of a conversion may include, for example, adding bicycle parking to existing car parking facilities, as well as providing employee shower facilities. Such simple and low cost ideas mean that employees are much more likely to make the choice to cycle to work, thus extending the green concept beyond the office itself. While more costly and of greater significance, we can also identify the benefits of adding green space to the work environment. While you may think that such an idea would be impossible in Luxembourg's city center, in one recent project, we have proven that with even the most limited space you can create a green, stress-free zone for occupants. This sort of change can be quite simply life changing for employees and employers alike.

Source: Property Partners

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Networking with Minister Frieden

Photos: Stephen Roberts

Luxembourg's Minister of Finance Luc Frieden joined AMCHAM members and friends for an evening networking event, discussing topics such as how Luxembourg can remain internationally attractive and negotiations over FATCA, among others.

"Minister Frieden gave an insightful speech into the state of affairs of Luxembourg and the challenges it faces to the AMCHAM audience. He reconfirmed Luxembourg's commitment that future reforms would both harmonize various EU, OECD and G20 policy objectives and still maintain Luxembourg's optimal competitive and pro-business environment into the future."

—James O'Neal, AMMC Law

James O'Neal, AMMC Law

Paul Schonenberg (AMCHAM), Minister Luc Frieden, Raymond Krawczykowski (Deloitte), Georges Deitz (Deloitte)

Lars Goslings (Justlex)

Sandra Capobianco (AIG Europe Limited)

Romain Muller (Muller Fund Services)

Stephan Jeandey (Brown Brothers Harriman)

Responding to the Economic Crisis

Photos: Stephen Roberts

The Ireland Luxembourg Chamber of Commerce (ILCC), in cooperation with AMCHAM and the Chambre de Commerce Luxembourg, held an event to discuss responses to the crisis in Luxembourg and Ireland—two countries faced with the similar challenge of how to remain a location that both attracts and retains foreign direct investment over the long term.

Row 1, seated: Brian Hayes T.D., Minister of State for Public Service Reform and the Office of Public Works in Ireland
Row 2, standing (L to R): Irish Ambassador to Luxembourg Diarmuid O'Leary, Carlo Thelen (Chambre de Commerce Luxembourg), Marco Wagener (Chambre de Salariés Luxembourg), Joseph Huggard (ILCC), Paul Schonenberg (AMCHAM)

Minister Brian Hayes T.D.

"Valuable insights came from this event. I am delighted by what was achieved by the three chambers working together."

—Joe Huggard, ILCC

Joseph Huggard (ILCC)

Carlo Thelen

Minister Brian Hayes T.D.

Marco Wagener, Paul Schonenberg

Henk van Eldik (Mutual Fund Consulting)

An open panel discussion took place following the speeches.

Mila, 14, and her brother Nicolas, 11

Multilingual Teens: Photo Exhibition Showcasing Luxembourg's Diversity

Source: Berlitz Language & Business Training, AMCHAM Luxembourg

Photos: François Besch

This summer, from July 15 through September 5, 2013, the "Multilingual Teens" exhibition took place on Place Guillaume II. The portraits, taken by Luxembourg-based photographer François Besch, featured 15 multilingual teenagers, all of whom live in the Grand Duchy and speak at least five languages fluently.

Many young people in Luxembourg speak three or four languages; however, teens that have additional language skills in, for example, Farsi, Hindi, Chinese or Hungarian is not nearly as common. The idea behind the exhibition was to allow residents and visitors alike to realize just how versatile the young people in Luxembourg are, and what this means for diversity in the country's future.

Berlitz Language & Business Training organized the exhibition to present the linguistic and cultural diversity of Luxembourg. The exposition was organized in cooperation with AMCHAM's Diversity Committee, the Office Luxembourgeois de l'Accueil et de l'Intégration (OLAI) and the City of Luxembourg.

"When [Berlitz'] Artur Sosna told me about his idea I was thrilled at once," says Besch. "It was an interesting challenge to capture the multilingualism of Luxembourg's youngsters in one more language—the language of photography—all the more as a photographer and artist whose art has always been influenced by the multiculturalism of this country."

A vernissage took place the evening of July 15 with Mr. Besch, the students and representatives from each of the aforementioned organizations in attendance. "It was a pleasure to meet the multilingual teens and see them exploring the exhibition during the opening ceremony—admiring themselves and at the same time being surprised about their prominence," says Artur Sosna, Country Manager, Berlitz Language and Business Training. "It was remarkable that [Luxembourg City Mayor] Xavier Bettel took the opportunity to join the opening ceremony; it proves that the exhibition reflects Luxembourg's multilingualism in a very convincing manner."

Sabine Framing, Marketing, Berlitz Language and Business Training, is also pleased with both the vernissage and the overall exhibition. "It was thrilling to plan an exhibition about such interesting youngsters and to have the chance to get to know them," she says. "I particularly enjoyed observing how the exhibition became a part of Place Guillaume's everyday life—directly at the spot where so many people who speak different languages meet."

In Their Own Words

Each teenager participating in the "Multilingual Teens" project was asked to provide a brief statement on what multilingualism means to them. Here is what some of them said.

"I think that Luxembourg's multilingualism is great because it breeds tolerance, and allows tiny Luxembourg to punch above its weight!"
—Mila, age 14

"I think that Luxembourg's multilingualism is great because at my very young age I can consider myself lucky to speak five languages in the country in which I was born. I believe that every language a person speaks gives him the chance to have a new personal identity."
—Alireza, age 18

"I think that Luxembourg's multilingualism is great because I can almost always understand what people around me are saying."
— Daniel, age 14

To see the complete set of photographs from the exhibition, please visit www.francoisbesch.net *and select "Multilingual Teens".*