Luxembourg Country Profile

EU Tax Centre

July 2015

Key tax factors for efficient cross-border business and investment involving Luxembourg

EU Member State Yes

Double Tax Treaties With:

Albania[a]	Estonia	Rep. of Korea	Oman[a]	Sweden
Argentina[a]	Finland	Kuwait[a]	Pakistan[a]	Switzerland
Armenia	France	Kyrgyzstan[a]	Palestine[a]	Syria[a]
Austria	Georgia	Latvia	Panama	Tajikistan
Azerbaijan	Germany	Lebanon[a]	Poland	Taiwan
Bahrain	Greece	Liechtenstein	Portugal	Thailand
Barbados	Guernsey	Lithuania	Qatar	Trinidad & Tobago
Belgium	Hong Kong	Laos	Romania	Tunisia
Botswana[a]	Hungary	Macedonia	Russia	Turkey
Brunei[a]	Iceland	Malaysia	San Marino	UAE
Brazil	India	Malta	Saudi Arabia	UK
Bulgaria	Indonesia	Mauritius	Senegal[a]	Ukraine[a]
Canada	Rep. of Ireland	Mexico	Serbia[a]	Uruguay
China	Isle of Man	Moldova	Singapore	US
Chile[a]	Israel	Monaco	Slovakia	Uzbekistan
Croatia[a]	Italy	Montenegro[a]	Slovenia	Vietnam
Cyprus[a]	Japan	Morocco	South Africa	
Czech Rep.	Jersey	Netherlands	Spain	
Denmark	Kazakhstan	New Zealand[a]	Sri Lanka	
Egypt[a]		Norway	Seychelles	

Note: (a) Treaty initialed/signed/approved, but not yet in force

Forms of doing business

Public limited liability company ("société anonyme - SA")
Private limited liability company ("société à responsabilité limitée - SARL")

Legal entity capital requirements

SA: minimum share capital of EUR 31,000, 1/4 of which must be paid up at incorporation. Share capital may be represented by bearer and/or registered shares, as well as by voting and non-voting shares.

SARL: minimum share capital of EUR 12,500 fully paid up at incorporation.

Capital is divided in registered shares.

Residence and tax system

A company is tax resident in Luxembourg if its statutory seat or its place of central administration is in Luxembourg. Corporate income tax is levied on worldwide income of resident companies.

Compliance requirements for CIT purposes

The tax year is generally the calendar year. Filing of corporate tax returns (including municipal business and net wealth tax returns) by May 31 of the following year. Advance payments of corporate income tax are due quarterly on March 10, June 10, September 10 and December 10. Advance payments of municipal business tax and net wealth tax are due quarterly on February 10, May 10, August 10 and November 10. The amount of the advance payment is based on the latest tax assessment.. For certain payments (e.g. dividends), specific forms are to be filed.

Tax rate

The standard corporate income tax rate is 29.22 percent (Luxembourg City). This includes corporate income tax, municipal business tax and the contribution to the employment fund.

Withholding tax rates

On dividends paid to non-resident companies

15 percent (may be reduced, even to 0 percent, under applicable treaties or domestic rules)

On interest paid to non-resident companies

0 percent (except profit participating bond, hybrid equity loan)

On patent royalties and certain copyright royalties paid to non-resident companies

0 percent

On fees for technical services

No

On other payments

Yes on certain payments (e.g. salaries, directors' fees, payments connected with non-resident literary activities and artist's performances and sports activities in Luxembourg, in certain cases)

Branch withholding taxes

0 percent

Holding rules

Dividend received from resident/non-resident subsidiaries

Participation exemption (100%) applies (at least 10 percent or acquisition price of EUR 1,200,000, minimum uninterrupted holding period of 12 months or commitment).

Capital gains obtained from resident/non-resident subsidiaries

Participation exemption (100%) applies (at least 10 percent or acquisition price of EUR 6,000,000, minimum holding period of 12 months or commitment).

Tax losses

Tax losses may be carried forward indefinitely but a carry-back is not allowed.

Tax consolidation rules/Group relief rules

Yes. A Luxembourg parent company (or a Luxembourg permanent establishment of a taxable non-resident company) and its direct or indirect 95 percent subsidiaries can, under certain conditions, apply for treatment as a fiscal unity. As a fiscal unity, the parent company and its subsidiaries can file a consolidated income tax return.

Registration duties

Only a fixed fee of EUR 75 is due upon certain transactions (e.g. incorporation of a Luxembourg company).

Transfer duties

On the transfer of shares

0 percent (provided the company is not a real estate property holding company)

On the transfer of land and buildings

Real estate transfers are generally subject to transfer taxes of 7 (for real estate assets located outside Luxembourg City) and 10 percent (for real estate assets located in Luxembourg City).

Stamp duties

On any deed that is registered, depending on the size of document (mainly notarial deeds).

Real estate taxes

Land tax of 0.7 to 1 percent on unitary value of real estate property (as fixed by tax administration based on provisions of the evaluation law), multiplied by a coefficient ranging from 120 to 1250 percent, depending on the type of real estate property and the municipality in Luxembourg.

Controlled Foreign Company rules

No

Transfer pricing rules

General transfer pricing rules

The Luxembourg income tax law makes explicit reference to the arm’s length conditions agreed between independent businesses as a standard for evaluating the conditions agreed between related parties. This standard is applied for both resident and non-resident parties and allows for an upwards or downwards adjustment of profits for transfer pricing purposes. There is a circular for intra-group financing companies, which generally refers to the OECD guidelines and provides for the application of the arm's length principle with respect to Luxembourg entities that principally conduct intra-group

	financing transactions. In addition, the circular also defines, among other things, an arm's length remuneration regarding intra-group financing activities and an appropriate level of Luxembourg substance for such activities. Documentation requirement Yes
Thin capitalization rules	A debt-to-equity ratio of 85:15 is applicable to the funding of participations or real estate located in Luxembourg; interest free loans may qualify as capital for debt/equity ratio purposes.
General Anti-Avoidance rules (GAAR)	General abuse of law principle
Specific Anti-Avoidance rules/Anti Treaty Shopping Provisions	No
Advance Ruling system	Yes
IP / R&D incentives	80 percent exemption on royalties and capital gains with regard to certain intellectual properties. Certain aid schemes for R&D and innovation. Luxembourg is a popular location for investment and private equity funds, headquarters, holding companies, financing companies, and securitization vehicles.
Other incentives	Investment tax credits Favorable tax regime for expatriates
VAT	The standard rate is 17 percent, and the reduced rates are 14 percent, 8 percent and 3 percent.
Other relevant points of attention	No

Source: Luxembourg tax law and local tax administration guidelines, updated 2015.

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