

## Luxembourg tax outlook



# things you need to know in 2024

## Intro

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In 2024, we believe that Luxembourg taxpayers will have to deal with five main developments in the area of tax law. By anticipating these changes, you can use them to your advantage and prepare for their impact.

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#1 Commitment to decrease the corporate income tax rate

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#2 Development of the double tax treaty network

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#3 New tax credit regime, with a focus on digital and ecological transformation and promise of further tax reliefs

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#4 Encouraging sustainable investments

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#5 Modernisation of tax laws and administrative procedures

# #1

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Commitment to decrease the corporate income tax rate to adjust to the average in OECD countries

## Commitment to decrease the corporate income tax rate

In the medium term, the Government has committed to adjusting the rates of corporate income tax and municipal business tax that are currently at 24.94% (for entities located in Luxembourg city with a taxable income exceeding EUR 200,000). The Government has not yet disclosed the new rates, but the intention is to bring them closer to the average in OECD countries, which was approximately 21.1% in 2023 according to OECD reports.

# #2

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The Government is continuously making significant efforts to further develop the network of double tax treaties.

## Development of the double tax treaty network

Luxembourg has a robust network of over 80 double tax treaties in force, which efficiently prevent double taxation. This promotes cross-border trade and investment while offering greater certainty and predictability for taxpayers. The Government has made significant efforts to further develop this network of double tax treaties, which it regards as a valuable instrument for developing the economic and commercial network of Luxembourg as a financial centre.

# #3

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The tax credit regime has been completely redesigned, especially to concentrate on digital and ecological transformation.

## New tax credit regime, with a focus on digital and ecological transformation and promise of further tax reliefs

While tax reliefs for small and medium enterprises remain a commitment of the Government, this new tax credit regime was introduced as of 1 January 2024. In fact, the tax credit regime has undergone a complete redesign. Whilst still including a tax credit for overall investment of up to 12%, it now includes a more generous tax credit of up to 18%. This 2.0 additional tax credit is now available for qualifying investments and expenditures in digital and ecological transformation. It is also a very useful complement in targeting innovation development, especially in instances where the IP Box regime is not available.

# #4

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The Government continues to focus on the development of sustainable finance with the introduction of various initiatives.

## Encouraging sustainable investments

unsurprisingly the Government continues to focus on the development of sustainable finance. The various welcome initiatives being considered by the Government include the analysis of reducing subscription tax for actively managed UCITS-ETF funds. Additionally, commitments have been made in assessing the impact of a reduction in subscription taxes for investment funds that focus on sustainable economic activities and evaluating whether further reductions in subscription tax can also help in attracting and increasing investments in these sectors.

# #5

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The Government has committed to modernise tax laws with the aim of strengthening trust, ensure process efficiency, simplification of laws and digitise administrations.

## Modernisation of tax laws and administrative procedures

Various Luxembourg tax laws, particularly those related to administrative procedures, are considered outdated. Many of these general and procedural laws were introduced during (and have remained unchanged since) the Second World War when the country's economy was vastly different from what it is today. The main criticism of Luxembourg tax procedure laws is that they do not sufficiently protect the taxpayers' rights, create unnecessary administrative burdens and are difficult to navigate. As part of a cross-cutting policy to modernise tax administrations, the Government has committed to adjusting these laws with the aim of strengthening the relationship of trust between taxpayers and tax administrations. Additionally, there is an appreciated focus on ensuring process efficiency, simplification of tax laws and administrative procedures as well as efforts to digitise tax administrations.

## Contact

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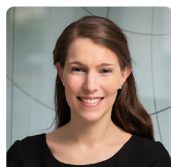
If you have any questions or require further information on how these changes may impact your business, please contact:



**Jean-Marc Groelly** | partner

T: +352 691 12 29 95

[jean-marc.groelly@nautadutilh.com](mailto:jean-marc.groelly@nautadutilh.com)



**Audrey Dérép** | counsel

T: +352 621 55 49 72

[audrey.derep@nautadutilh.com](mailto:audrey.derep@nautadutilh.com)