



International Tax

Luxembourg Tax Alert

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Largely compliant rating received from Global Forum

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The Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) released the results of its updated “phase 2” peer review for Luxembourg on 30 October 2015, which resulted in a “largely compliant” rating for the country. Luxembourg has spent the past couple of years implementing various measures to demonstrate its commitment to promoting tax transparency. As stated in the Luxembourg government communication, Luxembourg now shares the same rating as countries such as Germany, Italy, the Netherlands, the UK and the US.

The Global Forum aims to ensure the implementation of internationally agreed standards of transparency and the exchange of information with respect to taxation. The peer reviews assess member states’ compliance with these standards. Reviews in connection with the exchange of information upon request are carried out in two phases: phase 1 involves the assessment of the quality of a jurisdiction’s legal and regulatory framework for the exchange of information, and phase 2 relates to the practical implementation and efficiency of this framework.

Luxembourg successfully passed phase 1 in 2011, with respect to the legal and regulatory aspects of its framework for the exchange of information upon request. However, in November 2013, Luxembourg received a noncompliant rating as a result of the phase 2 peer review of its practices relating to the exchange of information upon request. The review covered the period 2009-2011, during which Luxembourg had just begun to apply the new standard for the exchange of information. At the time, the government stated that the noncompliant rating seemed “excessive.”

In response to that rating, Luxembourg continued to improve its tax transparency record through various measures, including the following:

- A new regime to ensure the availability of information relating to bearer security holders, which became effective in August 2014;
- Ongoing tax treaty negotiations, with treaties including the OECD standard provision on the exchange of information upon request;
- The ratification and application of the OECD Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which provides for various forms of administrative cooperation between jurisdictions in the assessment and collection of taxes;

- Modifications to the applicable procedure for the exchange of information upon request; and
- Other actions in connection with the automatic exchange of information.

The Global Forum now has updated Luxembourg's phase 2 peer review, and the largely compliant rating received is a positive development that reflects Luxembourg's dedication in promoting tax transparency.

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