

BEPS Actions implementation by country

Luxembourg

On 5 October 2015, the G20/OECD published 13 final reports and an explanatory statement outlining consensus actions under the base erosion and profit shifting (BEPS) project. The output under each of the BEPS actions is intended to form a complete and cohesive approach covering domestic law recommendations and international principles under the OECD model tax treaty and transfer pricing guidelines. The G20/OECD output broadly falls into the following categories:

OECD categorisation	Definition
Minimum standard	All G20/OECD members are committed to consistent implementation
Revision of existing standard	
Common approach	Common approaches to facilitate convergence of national practices
Best practice	Guidance drawing on best practices

It is now for governments to digest and introduce the necessary legislation. The table below sets out a summary of the expected local country implementation and timing in Luxembourg.



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Action	OECD categorisation	Notes on local country implementation	Expected timing
VAT on business to customers digital services (Action 1)	Common approach	The EU VAT directive applies and is implemented into domestic law.	1 January 2015
Hybrids (Action 2)	Common approach	<p>As an EU member state, Luxembourg is subject to the two EU anti-tax avoidance directives (ATAD and ATAD 2) and, therefore, is required to implement the directives into its domestic law. The ATAD and ATAD 2 include anti-hybrid rules that cover hybrid mismatches between EU member states, and between EU member states and non-member states, respectively. Member states are required to adopt the domestic legislation necessary to comply with the directives by 31 December 2019 (with an extension until 31 December 2021 for the reverse hybrid provisions).</p> <p>The government implemented the amended EU parent-subsidiary directive into domestic legislation on 24 December 2015.</p> <p>Developments are under way in connection with the multilateral instrument (MLI) to implement tax treaty-related measures to prevent BEPS, although it is not yet known what position will be taken by the Luxembourg tax authorities. The MLI is expected to be signed in June 2017.</p>	1 January 2020 (1 January 2022 for reverse hybrid provisions)
CFCs (Action 3)	Best practice	As an EU member state, Luxembourg is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes a CFC rule.	1 January 2019
Interest deductions (Action 4)	Common approach	As an EU member state, Luxembourg is subject to the ATAD, which must be implemented into its domestic law by 31 December 2018. The ATAD includes an interest	1 January 2019

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		limitation provision to discourage artificial debt arrangements designed to minimise taxes.	
Harmful tax practices (Action 5)	Minimum standard	The previous IP box regime was repealed on 1 July 2016. The draft law revising the IP regime is expected soon.	Not yet known
Prevent treaty abuse (Action 6)	Minimum standard	Developments are under way in connection with the MLI to implement tax treaty-related measures to prevent BEPS, although it is not yet known what position will be taken by the Luxembourg tax authorities. The MLI is expected to be signed in June 2017.	Subject to implementation of the MLI.
Permanent establishment status (Action 7)	Revision of existing standard	Developments are under way in connection with the MLI to implement tax treaty-related measures to prevent BEPS, although it is not yet known what position will be taken by the Luxembourg tax authorities. The MLI is expected to be signed in June 2017.	Subject to implementation of the MLI.
Transfer pricing (Actions 8-10)	Revision of existing standard	The 2017 budget law incorporates most of the transfer pricing aspects in BEPS Actions 8-10 into domestic legislation.	1 January 2017
Disclosure of aggressive tax planning (Action 12)	Best practice	Not yet known.	Not yet known
Transfer pricing documentation (Action 13)	Common approach	The 2017 budget law includes new transfer pricing rules and a recent circular provides guidance and clarification on the transfer pricing regulations.	1 January 2017

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CbC reporting (Action 13)	Minimum standard	Luxembourg has implemented non-public CbC reporting. The filing of CbC reporting notifications for FY 2016 has been extended to 31 March 2017.	Applicable for financial years starting on or after 1 January 2016.
Dispute resolution (Action 14)	Minimum standard Complemented by best practice	Developments are under way in connection with the MLI to implement tax treaty-related measures to prevent BEPS, although it is not yet known what position will be taken by the Luxembourg tax authorities. The MLI is expected to be signed in June 2017.	Subject to implementation of the MLI
Multilateral Instrument (Action 15)	Applicable across all four categories	Developments are under way in connection with the MLI to implement tax treaty-related measures to prevent BEPS, although it is not yet known what position will be taken by the Luxembourg tax authorities. The MLI is expected to be signed in June 2017.	Expected to sign in 2017

Unilateral BEPS Actions

No specific unilateral measures have been introduced in relation to BEPS.

Other Tax Developments

No other tax developments to note.



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