

Tax regimes

- Flag shipping register
- Pension funds (ASSEP/SEPCAV/PPV)
- Securitisation
- SICAR (investment company in risk capital)
- Specialised investment fund
- SPF (private wealth management company)
- Undertakings for collective Investments

Administrative requirements

Tax returns

- CIT, MBT and NWT returns – submission by May 31st of the following fiscal year. Electronic filing is possible and will be mandatory as from 2018.
- Self-assessment for companies (a 5 years statute of limitation)

Tax payments

Advances payable quarterly:

- CIT: 10 March, 10 June, 10 September, and 10 December
- MBT and NWT: 10 February, 10 May, 10 August, and 10 November

Taxes assessed are payable within one month of notification by the tax authorities.

Deferment of Tax payment

Delay	Interest
≤ 4 months	None
5 to 12 months	0.1% per month
13 months to 3 years	0.2% per month

Penalties

- Failure to pay or late payment: interest charge of 0.6% per month
- Failure to submit tax return or late submission: 10% of tax due and a fine up to €25,000

VAT

Tax rates applicable

Rate	Goods and services
17%	Standard rate
14%	Management and safekeeping of securities, publicity and marketing printed matter, etc.
8%	Gas, electricity, etc.
3%	Radio and television broadcasting services, hotels, food products, books, newspapers, etc.

Return periods

- Annual recapitulative return and monthly returns if annual turnover or the total value of goods and services received from abroad and for which the company is liable to pay the Luxembourg VAT exceeded €620,000 during the previous year
- Annual recapitulative return and quarterly returns if annual turnover or total value of intra-Community acquisition of goods and services received from abroad and for which the company is liable to pay the Luxembourg VAT was between €112,000 and €620,000 during the previous year
- Single annual return if annual turnover and the total value of intra-Community acquisition of goods and services received from abroad and for which the company is liable to pay the Luxembourg VAT was less than €112,000 during the previous year
- Annual simplified return for companies with a nil input VAT deduction

right but liable to pay the Luxembourg VAT on intra-Community acquisition of goods and services received from abroad if their total value was less than € 112,000 during the previous year

- Single annual return for companies benefitting from the franchise regime (annual turnover regime of less than € 30,000 during the previous year)

Submission of returns and VAT payments

Type of return	Legal deadline
Monthly return	Before 15 th of following month
Quarterly return	Before 15 th of month following quarter-end
Single annual return <small>(including simplified regime)</small>	Before March 1 st following year end
Recapitulative annual return	Before May 1 st following year end

Electronic filing is mandatory except for single and simplified annual VAT returns (i.e. when no periodical VAT returns must be filed)

VAT is to be paid when the returns are filed. Tax authorities may request advance payments.

Penalties:

- Failure to file a VAT return: lump sum penalty between €250 and €10,000
- Failure to pay or late payment 10% of tax due per year
- For non-communication of information's or documents in due time: fine up to € 25.000 per day

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Corporate Pocket Tax Guide 2017

Luxembourg

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Corporate Income Tax (CIT)

Taxable base

CIT is calculated based on the profit according to the commercial balance sheet. Certain types of income are exempt and certain charges are non-deductible.

Exempt income

Parent-subsidiary exemption

Dividends or capital gains received by a Luxembourg entity from a shareholding will be fully exempt from Luxembourg corporate income tax and municipal business tax if:

- The entity deriving such income holds or commits itself to hold directly this shareholding for an uninterrupted period of at least 12 months
- The shareholding threshold does not fall below either a 10% participation or a €1,2 million acquisition price (€6 million for capital gains) throughout the period
- Qualifying recipient and distributing/disposed entities are listed in article 166 of the Income Tax Law (ITL) and within the Grand Ducal Decree dated 21 December 2001

Exemption from withholding tax

Dividends distributed by a Luxembourg entity will be exempt from Luxembourg withholding tax if:

- The entity receiving such income holds or commits to hold directly its shareholding in the Luxembourg entity for an uninterrupted period of at least 12 months
- The shareholding threshold does not fall below either a 10% participation or a €1,2 million acquisition price throughout that period
- Qualifying recipient and distributing entities are listed in article 147 ITL, including fully taxable parent companies resident in a country having a tax treaty with Luxembourg and subject to a tax similar to the Luxembourg CIT

Exempt incomes due to double tax treaty provisions

Luxembourg treaty network usually provides for exemption of dividends, foreign branch and real estate income, etc.

Exemption of dividends

An exemption of 50% is granted on the dividend income received from a resident fully taxable capital company, a company falling within the scope of the Parent Subsidiary Directive or a capital company resident of a state, with which the Grand Duchy has a double tax treaty and which is subject to a tax corresponding to the Luxembourg CIT

Deductions

Companies may only deduct expenses exclusively caused by enterprise to the extent that they are not connected with exempt income.

Other deductions

- Gifts and donations
- Losses incurred up to fiscal year ended on 31.12.2016 are carried forward indefinitely. Losses incurred as from 2017 are restricted to a period of 17 years.

Non-deductible expenses

- Directors' fees
- Non-deductible taxes (CIT, MBT, NWT), etc.
- Expenses in connection with exempt income
- Fines

Tax rate applicable

Taxable income (€)	Rates (increased by a 7% unemployment fund contribution)
≤ 25,000.00	15% (16.05%)
Between 25,000 and 30,001	3,750 + 39 % (41,73%) above 25,000 €
> 30,000.00	19% (20.33%)

Tax reliefs

- Credit for audiovisual or venture capital investments
- Credit for hiring unemployed individuals
- Credit for investment in continued professional education
- Incentives for research and development
- Investment tax credit
- Foreign withholding taxes, etc.

Municipal Business Tax (MBT)

Taxable base

MBT taxable income is calculated broadly on the same basis as CIT. There is an allowance which amounts to €17,500 for entities liable to CIT and €40,000 for other businesses.

Tax rate applicable

The MBT rate changes according to the municipality in which the undertaking is located. The rate for Luxembourg city is 225% giving an overall MBT rate of 6.75% (3% X 225%).

Effective income tax rate

27.08% including CIT, MBT (for Luxembourg city) and contribution to the unemployment fund.

Tax consolidation

Luxembourg resident companies can form a fiscal unity where a company and one or more of its subsidiaries (95% ownership is required), or sister companies with a common parent are integrated financially. The parent company (for vertical fiscal unity) or chosen sister company (for horizontal fiscal unity) is responsible for paying the consolidated tax liability (CIT and MBT). Luxembourg branches of non-resident companies may head a Luxembourg fiscal unity.

Registration tax

A one-time registration tax of €75 applies for company incorporation, amendments to the bylaws and transfer of the seat of a foreign company to Luxembourg.

Net Worth Tax (NWT)

Taxable base

The unitary value of the company is determined mainly by reference to the net worth of the enterprise. This is based on fair market value of the assets and liabilities adjusted for certain exemptions (e.g. shareholdings qualifying for the participation exemption regime), and certain special valuations fixed by law (e.g. for buildings).

Tax rate applicable

The NWT rate depends on a company's total net assets:

- Rate of 0.5% on the total net assets up to €500 million
- Rate of 0.05% on the total net assets as from €500 million and more.

Tax reduction

Reduction of NWT is possible under conditions (creation of a reserve booked in the commercial accounts; to be maintained for at least 5 years...). The tax reduction amounts to a fifth of the reserve and can not exceed the amount of CIT liability before imputation of tax credits.

Minimum NWT

The minimum NWT tax will be due where the amount of NWT (by application of rates on the total net assets) leads to an amount of NWT lower than the minimum NWT. The minimum NWT can be reduced by CIT due the previous year.

This tax applies as follows:

- Collective entities, irrespective of being regulated or not, that have qualifying holding and financing assets (i.e. fixed financial assets, transferable securities and cash at bank) exceeding both 90% of their total gross assets, and the amount of € 350,000, will be subject to a minimum NWT of € 4,815.
- Other companies are subject to a progressive minimum income tax depending on the total assets on their balance sheet. Such tax will range from €535 (for a total balance sheet up to €350,000) to €32,100 (for total balance sheet exceeding €20 million)
- There are dedicated rules for the minimum NWT where concerned companies are in a tax consolidation regime for CIT and MBT.

Tax treaty network

Luxembourg has broad tax treaty network including all major industrialized countries, all key financial centers and almost all of the important developing countries. The Grand Duchy has 79 treaties in force.

Withholding taxes

Type of income	Rate
Dividends	15% of gross dividends unless an exemption or a reduced rate (by application of a double tax treaty) is applicable
Interest	0% (except for profit-sharing bonds and debt instruments with remuneration linked to the issuer's profits)
Royalties	0% (with some exceptions)
Liquidation proceed	0%
Director's fees	20% of gross fees paid to resident or non-resident directors