Luxembourg
Tax Department

Luxembourg Tax Alert.

16 June 2014

Circular just released on the use of a foreign currency for tax purposes

Companies within international groups often draw up their financial statements in a foreign currency. From a legal perspective, a company incorporated in Luxembourg can draw up its commercial accounts in a currency other than the euro. The Luxembourg tax authorities have just issued a circular* which contains the rules and conditions under which a taxpayer may use a currency other than the euro in calculating its taxable results.

Luxembourg entities, including partnerships, can opt for determining taxable income in a foreign currency. To do so, the company's commercial accounts must be in the same foreign currency as its share capital.

The option must be made upon written request to the Luxembourg tax authorities and filed within the first nine months of the first financial year of the tax computation in a foreign currency. New entities have until the end of their first financial year to file the request.

The request must include certain information, such as the foreign currency of the share capital, as well as that of the statutory accounts.

The option to use a tax foreign currency is not subject to a minimum mandatory period of time. Once the option is elected, it applies for as long as the share capital of the company is denominated in the foreign currency.

The corporate income tax and municipal business tax returns must be completed in foreign currency and euro. The Luxembourg tax authorities will update the tax forms available to the public. In the meantime, an appendix showing the foreign currency-to-euro reconciliation should be enclosed with the tax returns.

All items reported in succeeding fiscal years (i.e. carry forward of tax losses, recapture expenses, etc.) should be expressed in the foreign currency until

The Tax department is a dedicated team of highly skilled tax professionals providing comprehensive consultancy and compliance services.

Our solid knowledge of local and international regulations, combined with our wide experience, allow us to serve our clients in a tailored, responsive and value-added manner.

If you need further information, please refer to your usual Deloitte contact person or contact:

Raymond Krawczykowski
Partner | Tax Leader
+352 451 452 500
rkrawczykowski@deloitte.lu

François Guilloteau
Partner | Cross-Border Tax
+352 451 452 577
fguilloteau@deloitte.lu

Christelle Larcher
Senior Manager | Cross-Border Tax
+352 451 452 976
clarcher@deloitte.lu

they are used, except for tax credits (e.g. tax credit for investments) which must be reported in euro.

For purposes of the participation exemption regime, the participation threshold shall be determined on the basis of the acquisition price converted into euros at the exchange rate effective at the acquisition date of the participation.

For the sake of simplicity and conformity, taxpayers should use the currency exchange rates published by the European Central Bank.

The tax circular also contains rules in connection with net wealth tax (including net wealth tax reduction), as well as the transition process from the determination of the tax result in euros to that in the foreign currency.

Tax assessments will still be issued in euros and taxes due must be paid in euros.

This approach, mentioned in the government program of December 2013, is of special interest to affiliated companies of international groups. The use of a foreign currency in determining the tax results reduces the tax administrative burden and brings to an end tax-related foreign currency exchange gains or losses that are not recognised from an accounting perspective.

Our tax team is at your disposition if you wish to discuss the rules further.

** Tax Circular L.G.-A n°60 dated 16 June 2014*

Deloitte General Services
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg