



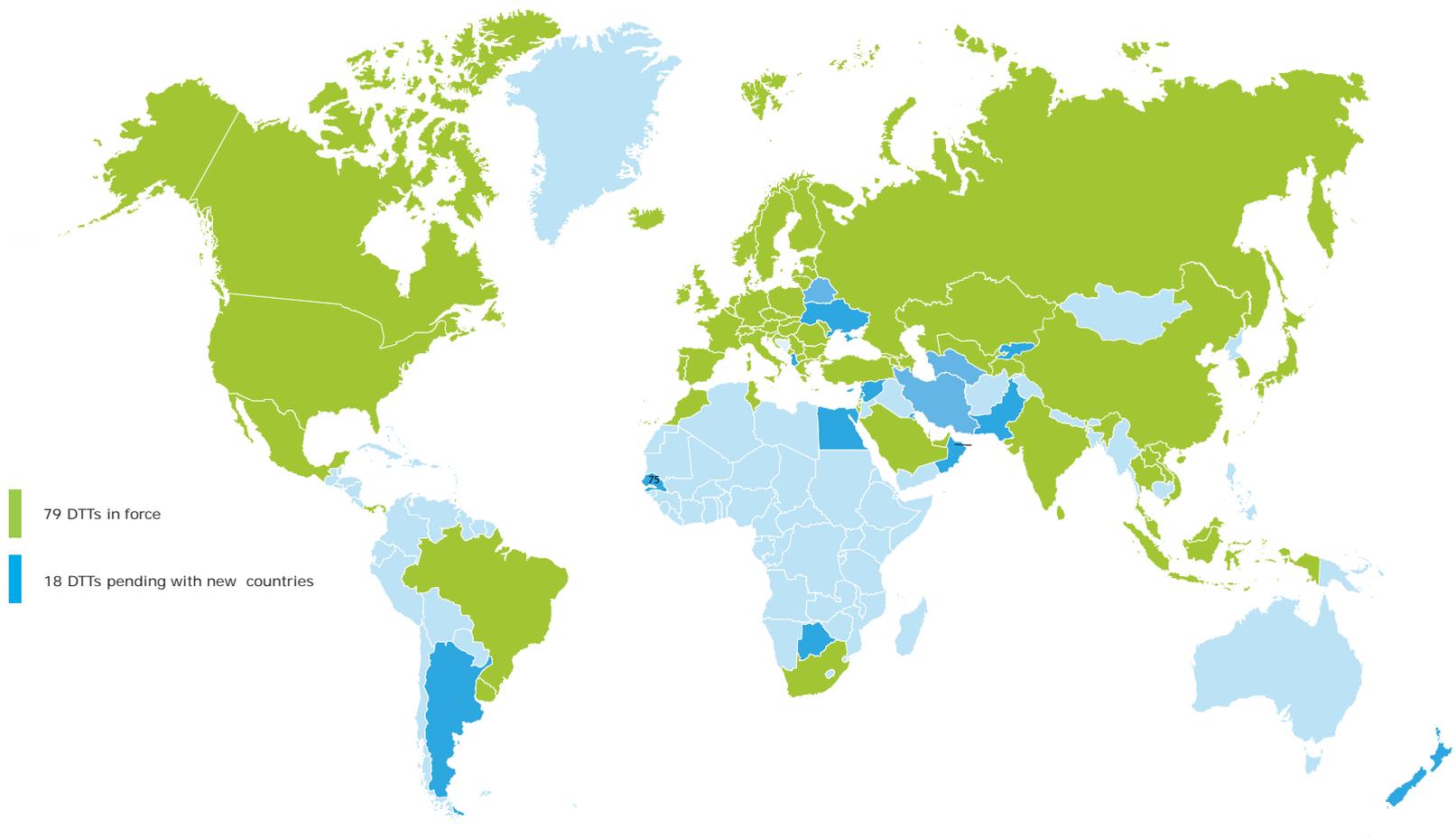
Happy
2017
Tax Year

Luxembourg tax environment – At a glance

Relevant items for corporations in Luxembourg (non-exhaustive list):

E&P Taxation	
Corporate Tax rate	<ul style="list-style-type: none"> • 20,33% corporate income tax rate (including unemployment fund), 6.75% municipal business tax rate • Taxation on worldwide income basis
Exemption	<ul style="list-style-type: none"> • 100% exemption on dividends, capital gains and liquidation proceeds from/on qualifying shareholdings • 100% exemption on income derived from a foreign permanent establishment
Good to know	<ul style="list-style-type: none"> • Tax NOLs may be carried forward indefinitely but for 17 years as from the FY 2017 • Tax consolidation is available
Earnings repatriation	
WHT — Dividends	15%, but 0% for EU (subject to a dedicated anti-abuse clause) and tax treaty companies under domestic law
WHT — Interest	0% under domestic law
WHT — Royalties	0% under domestic law
Thin cap	No, other than for the holding of participations
Good to know	No branch remittance tax
International aspects	
Tax treaties	79 in force, 18 pending
VAT rate	Lowest VAT rate in Europe, 17%
Good to know	<ul style="list-style-type: none"> • Possibility to request an advance tax/pricing decision from the Luxembourg tax authorities • No capital/stamp duty upon incorporation and future share capital increases

Luxembourg tax treaty network



Luxembourg 2017 Tax Reform

Relevant items for MNC (non-exhaustive list):

Corporate income tax	
Corporate Tax rates	<ul style="list-style-type: none">• Decrease of the CIT from 19% to 18% in 2018• Aggregate rate (incl. CIT, MBT and employment fund) will therefore decrease from 27,08% (currently) to 26.01% as from 2018 (reference municipality of Luxembourg).
Tax Losses Carried Forward	<ul style="list-style-type: none">• The carry forward of losses generated as from fiscal year 2017 is limited to 17 years
Investment Tax Credit Rates	<ul style="list-style-type: none">• Additional investments: 13%• Global investments (< EUR 150,000): 8% (2% remains unchanged for investments > EUR 150,000)• Investments made by resident companies or Luxembourg PEs of non-resident companies• Investments physically operated in Luxembourg and in the EEA
Depreciation	<ul style="list-style-type: none">• Possibility to defer in time amortizations in relation to depreciable assets within the normal amortisation period• Upon request (with the filling of the tax return)
E-tax returns	<ul style="list-style-type: none">• Mandatory for all companies as from 2018 for 2017 tax returns
Transfer Pricing	
Clarifications	<ul style="list-style-type: none">• The new article 56bis strengthens the Luxembourg TP rules and practice as it gives clarifications of the methodologies available to reach conclusions on the arm's length price when testing or setting prices in a related party context.
Net wealth tax	
Minimum Net Wealth Tax	<ul style="list-style-type: none">• Increased from EUR 3,210 to EUR 4,815
Registration rights	
Registration Rights	<ul style="list-style-type: none">• 0.24% registration duty in connection with the transfer of debts is abolished
For more information on the 2017 tax reform, please click https://www2.deloitte.com/lu/en/pages/tax/articles/tax-reform-2017.html	

Anti-Tax Avoidance Directive

Interest limitation (article 4)

- Exceeding borrowing costs would be deductible up to 30% of the taxpayer's EBITDA
- EBITDA is calculated by adding back to the income subject to corporate tax in the Member State of the taxpayer the tax-adjusted amounts for exceeding borrowing costs as well as the tax-adjusted amounts for depreciation and amortization. Tax exempt income shall be excluded from the EBITDA of a taxpayer
- **Exceptions** limit exceeding borrowing costs to EUR 3 mios/ group-wide test/standalone entity
- **Option** for Member States to apply a carry-back or carry forward on exceeding borrowing costs that cannot be deducted during a given year
- **Grandfather** rule for loans concluded before 17 June 2016 if not subsequently modified

Entry into force on 01.01.2019 or 01.01.2024 if the member state has national rules equally effective to the interest limitation rule on 8/08/2016

Exit taxation for cross-border transfer of assets, residence or business carried on by permanent establishment (Article 5):

- Tax base: fair market value of the transferred assets, at the time of exit
- Deferral provision by paying in instalments over a 5 year period (subject to specific circumstances)

Entry into force on 01.01. 2020

Controlled foreign company income rules (articles 7 and 8):

- Anti-deferral tax measure whereby the tax base of a taxpayer would include the non-distributed income of an entity under conditions (basically where profits of this entity are not taxed or taxed at much lower rate than the country of the taxpayer)
- Option for Member States to determine the inclusion:
 - Option 1: Objective test based on the type of income with an exception in case of substantive economic activity
 - Option 2: Subjective test to determine how the non distributed income should be determined (based on risks, significant people functions)

Entry into force on 01.01. 2019

Anti-Tax Avoidance Directive

General anti-abuse rule (article 6):

- Case whereby non-genuine arrangements or a series thereof carried out for the main purpose or one of the main purposes of obtaining a tax advantage that defeats the object or purpose of the applicable tax provisions shall be ignored for the purposes of calculating the corporate tax liability

**A generic anti-abuse rule already in force in Luxembourg domestic law*

Entry into force on 01.01.2019 *

Hybrid mismatches rules (articles 2 (9) and 9):

- Different characterization of the same taxpayer/ instrument within the EU
- Cases of double deduction → deduction should occur only in the State of source of the payment
- Cases of deduction without inclusion → deduction should not be allowed

Entry into force on 01.01.2019

New proposed rules on hybrid mismatches

- Extended definitions of hybrid mismatch scope and associated enterprises scope, including tax residency mismatches
- Situation between a taxpayer and an associated enterprise or a structured arrangement between parties indifferent tax jurisdictions where any of the following outcomes is attributable to differences in the legal characteristics of a financial instrument or entity, or in the treatment of a commercial presence as a PE
 - Double deductions,
 - Deductions without inclusion,
 - Non-taxation without inclusion

Potential entry into force on 01.01.2019



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