

## Luxembourg Tax Alert

### Luxembourg tax authorities release Circular L.I.R. n° 50ter/1 regarding new IP regime

**4 July 2019**

On 28 June 2019, the Luxembourg tax authorities released Circular L.I.R. n° 50ter/1 (the Circular)—only in French—relating to the new IP regime introduced by the law dated 17 April 2018 (IP Law). The new regime is applicable as from the 2018 fiscal year.

While the Luxembourg parliamentary works and the BEPS' Action 5 Report already provided useful guidelines on what was included in the IP Law, the Circular contributes additional insight with a practical approach through examples. Indeed, the Circular illustrates, among others, the application of the nexus ratio, the foreign tax credit, and the adjustments and compensations for obtaining the net eligible adjusted and compensated IP income. In addition, the Circular brings clarity to the concept of qualifying expenditures through a series of illustrations.

In terms of timing, the issuance of the Circular and the 760 Form (specific appendix to tax returns), occurred in the filing period of the 2018 tax returns. Taxpayers owning qualifying IPs or wanting to transition into the new IP box regime (irrevocable choice) for the financial year 2018, are required to file their 2018 tax returns appropriately.

Finally, as already outlined in the IP Law, the Circular emphasizes the necessity for the taxpayer to have supporting documentation in-line with transfer pricing rules. Taxpayers will also need to supply documentation justifying the tracking of eligible expenditures, total expenditures, and eligible income in relation to each qualifying IP right (or family of products or services in certain specific cases).

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