Luxembourg new Tax measures approved

In brief

Last December 11, the Luxembourg Parliament approved draft laws 8388, 8414 and 8186A (the "Tax Package"), where several tax measures applicable to individuals, companies and funds will enter into force mostly, as from January 1, 2025.

Further, on December 19, 2024 the Parliament approved:

- The 2025 budget law, where the main introduction is the 'Bëllegen Akt' tax credit for the acquisition of a primary residence in Luxembourg to be supplemented with a reduction of the registration fees.

- Amendments to Pillar II law, which introduces changes from the four sets of OECD Administrative Guidance as well as clarifications on certain technical aspects. The changes will have retroactive effects for companies in scope with financial years starting on or after December 31, 2023.

- VAT bill of law 8406, which transposes two European Directives that focus among others, on the restructuring of the special scheme for small enterprises as well as changes of supply rules for digital events and new VAT considerations for the art sector. These rules will also be effective as from January 1, 2025.

As reminder

Below, the list of tax measures included in the Tax Package, which unless indicated otherwise, will have effects as from January 1, 2025. For more details, please refer to our Flash News issued on June and August, 2024 here:

For corporate tax payers and investment funds:

- Clarification on the conditions by which the redemption of shares followed by cancellation of shares qualify as partial liquidation proceeds.
- Option to waive for the participation exemption regime as from tax year 2025, under certain limitations.
- Alignment of the minimum NWT for all taxpayers, regardless of the proportion of financial assets held.
- Reduced corporate income tax rate, for an aggregate rate in Luxembourg city of 23.87%.
- Increase of the minimum annual subscription tax (from EUR 100 to EUR 1,000) for the SPF.
- Exemption of subscription tax of actively managed UCITS ETFs.
- Amendment to the interest limitation rules impacting a "single entity group".

For individual tax payers:

- Reduction in tax progression for Tax Class 1A impacting single parents, widows, and citizens above 64 years old.
- Increase of the single parent tax credit (EUR 3,504 vs. EUR 2,505).
- Increase of the tax deduction for dependent children that are not part of the household (EUR 5,424 per child).
- Full tax exemption in all tax classes for individuals receiving the unskilled minimum social wage.
- Enhancement of the profit-sharing bonus or "participative premium".
- Simplification of the impatriate regime, as a talent acquisition measure.
- New bonus for young employees i.e. between EUR 2,500 and EUR 5,000 with a 75% tax exemption under certain conditions.

- New tax credit on overtime hours for cross border workers with effects as from tax year 2024.
- Mandatory electronic filing of withholding tax returns on directors' fees, salaries and pensions.

Contact us

For further information do not hesitate to contact one of our team members who will be glad to assist you at any time:

Matthias Gutknecht	**(Partner)**	matthias.gutknecht@lu.andersen.com
Asbed Chahbazian	**(Partner)**	asbed.chahbazian@lu.andersen.com
Ina Noetzel	**(Partner)**	ina.noetzel@lu.andersen.com
Mélodie Rongvaux	**(Director)**	melodie.rongvaux@lu.andersen.com
Giselle Solís	**(Senior Manager)**	giselle.solis@lu.andersen.com