



Luxembourg Budget 2027: Key income tax measures for individuals and companies

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On 7 October 2026, the Luxembourg Government submitted a draft budget law proposal for 2027 to the Luxembourg parliament. The proposal features targeted measures designed to enhance corporate competitiveness, stimulate residential real estate investment, adjust personal income tax brackets for inflation, and incentivize long-term capital deployment.

These measures are scheduled to take effect from fiscal year 2027. As the legislative process is currently ongoing, the text remains subject to potential parliamentary amendments.

1. Measures impacting Luxembourg companies

- Corporate income tax (“CIT”) rate adjustments

The draft budget lowers the progressive CIT brackets to reduce the overall corporate tax burden of Luxembourg companies as described below.

- Taxable income up to EUR 200,000 is subject to a reduced CIT rate of 13% (down from 14% with a threshold of EUR 175,000 in 2026).
- For taxable income between EUR 200,000 and EUR 250,001, CIT is calculated at EUR 26,000 plus 23% of the income exceeding EUR 200,000.
- Income above EUR 250,000 is subject to CIT at a rate of 15% (down from 16% with a threshold of EUR 200,000 in 2026).

As a result, the aggregate corporate tax rate for companies established in Luxembourg city (CIT increased by 7% unemployment fund surcharge and municipal business tax (“MBT”) at a rate of 6.75%) is reduced to 22.80% in fiscal year 2027 from 23.87% in fiscal year 2026.

- Elimination of the 17-year loss carry-forward limit

The draft budget abolishes the 17-year time restriction applicable to losses carried forward incurred after 31 December 2016 for both CIT and MBT purposes. Because no historical losses could have expired before 2034 under prior rules, this amendment preemptively



removes the restriction. This is a particularly welcome development for start-ups and capital-intensive ventures with protracted ramp-up phases.

- **Enhanced Investment Tax Credit (“ITC”)**

To foster sustainable growth, the tax credit rates for specific qualifying investments and operating expenses increase as described below.

- **Digital Transformation & Ecological/Energy Transition:** The ITC rate increases from 18% to 21%.
- **Depreciable Tangible Assets:** The supplementary ITC rate increases from 6% to 9%.
- **Administrative simplifications for employers**

Hiring incentives: The tax credit for hiring unemployed persons is extended by three years, through 31 December 2029.

Profit-sharing bonus (“*prime participative*”):

- The nominative lists of employees receiving the profit-sharing bonus (“*prime participative*”) is abolished since the tax authorities can identify them from payroll statements.
- Employers must instead electronically transmit data allowing the verification of required conditions by March 1 of the following year (covering all entities within integrated groups).

Impatriate regime:

- Employers are no longer required to file a nominative list of employees benefiting from the impatriate regime since the tax authorities can identify them from the payroll statements.
- Employees under the legacy regime applicable until fiscal year 2024 remain grandfathered without additional declarations, while employers must electronically transmit employee elections for the new regime to the competent tax office by 1 March of the following year.



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2. Measures impacting Luxembourg individuals

- Extension of the speculative holding period

The holding period under which a gain on movable assets is treated as speculative increases from more than six months to more than twelve months.

This measure triggers the consequences listed below for non-substantial shareholdings, substantial shareholdings and participation-linked carried interest.

- **Non-substantial shareholding (10% or less):** The holding period required for a gain to be exempt from personal income taxation in Luxembourg must exceed 12 months as opposed to 6 months currently.
- **Substantial shareholding (more than 10%):** The holding period required for a gain to be subject to the half global rate for personal income tax purposes in Luxembourg must exceed 12 months as opposed to 6 months currently.
- **Carried interest:** The carried interest regime is amended so that the holding period for the exemption of a qualifying participation-linked carried interest of 10% or less must exceed 12 months as opposed to 6 months currently.

As a result, from 2027 onwards, gains on all types of shareholdings recognized by individuals within 12 months from the acquisition of such shareholdings would be fully subject to Luxembourg progressive income tax rates.

- **Personal Income Tax Rates and Brackets**

To mitigate the impact of inflation, all progressive income tax brackets are increased. For instance, the 0% tax bracket is extended up to EUR 13,565 (compared to EUR 13,230 in 2026) while the top marginal tax rate of 42% applies to income exceeding EUR 240,803 (compared to EUR 234,870 in 2026).

- **CO2 Tax Credit**

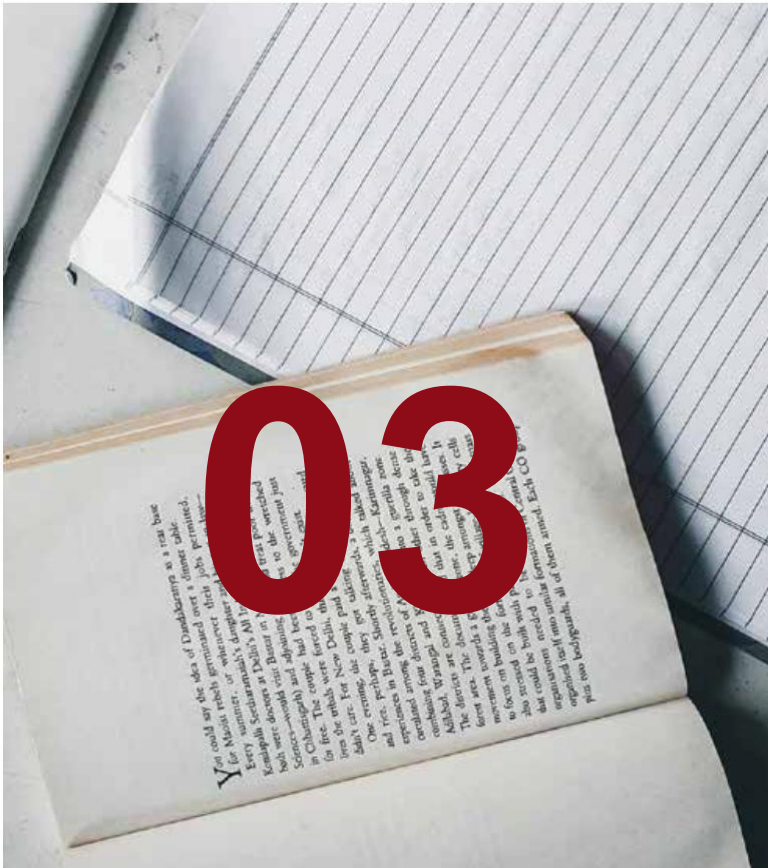
The full annual tax credit for employees, pensioners, and self-employed individuals increases from EUR 216 to EUR 240, maintaining its degressive phase-out structure between EUR 40,000 and EUR 80,000 of taxable income.

- **Other Notable Individual Measures**

Temporary Agency Workers: The flat-rate tax regime is capped at a gross hourly wage of EUR 21 (down from EUR 25 in 2026), with a 6.5% rate applied up to EUR 19 and an 8% rate applied between EUR 19 and EUR 21, above which standard progressive rates apply.

Child Tax Bonus: The child tax bonus applicable in cases of alternating custody is formally extended through tax year 2027.





3. Measures impacting non-resident taxpayers

Capital gains recognized by non-resident individuals and companies on substantial shareholdings (more than 10%) will remain taxable in Luxembourg if not held for more than 12 months as opposed to more than 6 months currently. This is however subject to the application of double tax treaties concluded by Luxembourg, which may allocate capital gain taxation to the country of residence of the non-resident taxpayer.





4. Real Estate measures

To stimulate the Luxembourg real estate market, the 2027 budget introduces the changes summarized below to the accelerated depreciation for rental housing, which is applicable to Luxembourg resident individuals and companies.

- **Rate & Threshold:** With effect from tax year 2026, the accelerated depreciation rate for residential rental buildings increases from 4% to 6%, and the maximum eligible age of the building increases from five to six years.
- **Conditions & Valuation Cap:** The 6% rate applies provided the completion value of the entire building does not exceed EUR 600,000. This valuation is permanently frozen at completion (including upon subsequent resale) and operates independently of the taxpayer's acquisition cost base. For instance, a building valued at EUR 600,000 at completion qualifies for the 6% rate even if acquired by an investor at a depreciable basis of EUR 750,000 (yielding an annual deduction of EUR 45,000), whereas a building with a completion value of EUR 650,000 is ineligible.

- **Renovation Works:** The 6% rate also extends to qualifying renovation works completed after 31 December 2025, provided expenditure exceeds 20% of the cost of a building whose completion value does not exceed EUR 600,000.
- **Transitional Rules:** The standard 4% accelerated depreciation rate is preserved for buildings acquired or constructed between 1 January 2021 and 31 December 2025, and—for tax year 2026—for buildings whose completion value exceeds EUR 600,000, provided all statutory criteria are satisfied.

Conclusion

The 2027 draft budget law proposal establishes a pragmatic framework aimed at reinforcing Luxembourg's economic competitiveness, supporting households against inflationary pressures, and encouraging sustainable capital allocation.

Corporate tax rate reductions, the removal of the 17-year loss carry-forward ceiling, and targeted real estate and investment incentives position the jurisdiction favorably heading into 2027.

Certain Luxembourg investors should however consider carefully the impact of the changes introduced to speculative gain taxation as it may impact their portfolio management strategies before the changes are introduced and from 2027 onwards.

Our tax team at Andersen in Luxembourg is available to assist clients in analyzing the specific implications of these proposed measures on their structures and operations.

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