

TAX MEMENTO *Luxembourg 2018*

CORPORATE INCOME TAX (CIT)

CIT taxable basis

CIT is based on commercial profit adjusted by the deduction of certain types of exempt income or/and by the addition of certain non-deductible charges.

- **Exempt income:** dividends and capital gains (under certain conditions), etc.
- **Non-deductible charges:** directors' fees, non-deductible taxes, expenses in connection with a tax exempt income, fines, etc.

CIT credits

- Foreign withholding tax
- Investment tax credit
- Hiring of unemployed persons credit
- Professional training credit
- 2013, 2014 and 2015 minimum CIT advances

CIT rates

Taxable basis

< EUR 25,000

EUR 25,000 - EUR 30,000

> EUR 30,000

15%

EUR 3,750 + 33%
of the income exceeding
EUR 25,000

18%



An unemployment fund contribution of 7% is added to the above rates. For example, for a taxable basis of < EUR 25,000, the global CIT rate would be: $15\% + (15\% * 7\%) = 16.05\%$

MUNICIPAL BUSINESS TAX (MBT)

MBT taxable basis

MBT basis is similar to the CIT basis, but includes an automatic allowance, which is deducted from the taxable base, of EUR 17,500 for entities subject to CIT and EUR 40,000 for tax transparent entities.

MBT rates



Use of losses carried forward

Losses generated as from tax year 2017 can be carried forward up to a maximum of 17 years.
No limitation applies to losses generated until the end of tax year 2016.

NET WORTH TAX (NWT)

Taxable basis

NWT is calculated on the basis of the unitary value (UV) of the company. UV of a Luxembourg resident is computed on the adjusted net asset value as of 1 January of each year.

Exempt assets: exempt assets according to Double Tax Treaty (ex. foreign permanent establishment, foreign real estate assets (RE)), qualifying shareholdings under §60 BewG, etc.

Non deductible debts: debts related to an exempt or excluded asset (ex. debt financing the acquisition of qualifying shareholdings or foreign RE).

NWT rates

Total net assets

≤ EUR 500 million

> EUR 500 million

NWT rates

0.5%

NWT rates

0.05%

Minimum NWT

A minimum NWT is due when the NWT as per UV is lower than the minimum.

- When the sum of fixed financial assets, transferable securities, cash and receivables owed to affiliated companies represent more than 90% of the total balance sheet and more than EUR 350,000: minimum NWT of EUR 4,815 applies
- Other companies are subject to a progressive minimum NWT depending on the level of the total assets: minimum NWT ranges from EUR 535 to EUR 32,100

Minimum NWT also applies to SICARs, SEPCAVs, ASSEPs and securitisation companies.

NET WORTH TAX (NWT)

Minimum NWT reduction

Minimum NWT reduction

The minimum NWT is reduced by the effective CIT from the previous year.
 $NWT_{due} = \text{the larger amount between reduced minimum NWT and NWT due as per UV.}$

NWT reduction by constituting a specific reserve

Possibility to reduce the amount of NWT due as per UV by recording a NWT reserve which should be maintained as a non-distributable reserve during a 5-year period.

Reduction of NWT corresponds to 1/5 of the reserve booked.

The NWT reduction:

- cannot exceed the amount of effective CIT due (before tax credit) for the previous year
- cannot be lower than the reduced minimum NWT which would be due

A request has to be made on Form 500 of the year preceding the year for which the reduction is claimed.

VAT

VAT rates

17% standard rate

Reduced VAT rates:

- 14% for certain financial services
- 8% for gas, electricity
- 3% for radio and television broadcasting services, hotel accommodation, food products, etc.

Annual simplified VAT returns for companies with a nil input VAT deduction right (to be filed before 1 March following the year end).

Electronic filing of VAT returns is mandatory (Hard paper filing still possible for single annual VAT returns and for simplified annual VAT returns).

Penalties from EUR 250 to EUR 10,000 per infringement of the VAT law (such as late filing of VAT returns).

VAT return filing requirements

Turnover < EUR 112,000	Turnover EUR 112,000.01 - EUR 620,000		Turnover > EUR 620,000	
Type of returns Single annual VAT return	Type of returns Quarterly VAT returns	Type of returns Annual recap VAT return	Type of returns Monthly VAT returns	Type of returns Annual recap VAT return
Filing deadline Before 1 March following the year end	Filing deadline Before 15th of the month following quarter end	Filing deadline Before 1 May following the year end	Filing deadline Before 15th of the following month	Filing deadline Before 1 May following the year end

OTHER TAXES

Withholding tax (WHT) rates

WHT on director's fees	20% on the gross amount
	25% on the net amount
WHT on dividends	15% on gross dividends
	17.65% on net dividends
WHT on royalties	None
WHT on interest	None

Chamber of commerce fee

- For companies that mainly perform holding activities (see NACE code): flat amount of EUR 350
- For other companies, if in a loss position, a contribution of EUR 70 (i.e. minimum contribution for a S.à r.l.)/EUR 140 (i.e. minimum contribution for a S.A./S.C.A.)
- For other companies, if in a profit position (before imputation of tax losses carried forward) a rate ranging from 0.02% to 0.025%
- The fee is applicable on the tax profit realised 2 years before the year the contribution is due



ADMINISTRATIVE ASPECTS

Tax return filing requirements

Tax returns should be filed before 31 March of the year following the year for which the returns are being filed (deadline extended until 31 May).

Electronic filing has been mandatory since 2017.

Penalties

In the case of non-payment or late payment: interest charge of 0.6% per month.

In the case of no filing or late filing: up to 10% of the tax due along with a fine of maximum EUR 25,000. The company could be assessed on a lump-sum basis.

Tax advance payments

For CIT, quarterly advances should be paid on 10 March, 10 June, 10 September and 10 December.

For MBT and NWT, quarterly advances should be paid on 10 February, 10 May, 10 August and 10 November.

CONTACTS



Atman Haloui
Partner
atman.haloui@ltco.lu



Emilie Bruguère
Principal
emilie.bruguere@ltco.lu



Mauro Morim Monteiro
Director
mauromorim.monteiro@ltco.lu