



TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### CONTENTS

- ▶ CIT rate decreased by 1%
- ▶ New subscription tax exemption for actively managed UCITS ETF
- ▶ Amendments of the SPF regime



TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### INTRODUCTION

On 11 December 2024, the Luxembourg Parliament passed draft law 8414 (the so-called tax relief package), which introduces tax cuts for both businesses and individuals to improve Luxembourg competitiveness, boost the Luxembourg economy and strengthen the purchasing power of citizens.

We present the changes to be introduced, with a focus on the measures relevant for companies and investment funds. These include a 1% cut of the corporate income tax (“CIT”) rate, a new subscription tax exemption for actively managed UCITS ETFs as well as amendments to the regime of private wealth management companies (SPF).

While we do not detail the changes impacting individual taxpayers (such as the amendments of the employee profit-share regime and of the impatriate regime, the new tax credit for cross-border workers or the adaptation of the personal income tax brackets), we remain at your disposal to discuss these changes further with you.



TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### CIT RATE DECREASED BY 1%

To make the tax framework applicable to Luxembourg fully taxable companies more competitive and bring the Luxembourg's CIT rate closer to the average statutory tax rate applicable in the EU and in OECD countries, with effect as from tax year 2025, the CIT rate will be reduced by 1%.

Accordingly, the CIT rate will be decreased as follows:

- ▶ From currently 15% to 14% for companies with taxable income not exceeding EUR 175,000, resulting in an aggregate income tax rate (i.e. solidarity surcharge for the employment fund and municipal business tax, "MBT", included) of 21.73% (instead of 22.80%) for companies located in Luxembourg-City; and
- ▶ From currently 17% to 16% for companies with taxable income exceeding EUR 200,000, resulting in an aggregate income tax rate of 23.87% (instead of 24.94%) for companies located in Luxembourg-City.

Companies with taxable income between EUR 175,000 and EUR 200,000 will be subject to an intermediary CIT rate between 14% and 16% (aggregate income tax rate between 21.73% and 23.87% for companies located in Luxembourg-City), depending on the level of their taxable income.

While this measure is positive, as it will decrease the overall tax burden of Luxembourg companies, one may expect that it is only one first step and that additional decreases of the CIT rate will occur in the coming years. One should keep in mind that this decrease takes place in a context, where rules have already been implemented to achieve a minimum level of taxation for multinational groups (MNE) and large-scale domestic groups with a consolidated revenue of at least EUR 750 million (the so-called "Pillar 2" rules). Therefore, the decrease occurs in a context of lower political pressure at international and EU level, when it comes to the CIT rates. In addition, even if a CIT rate may bring a slight decrease of tax revenues in the short term, in the medium and long term, it is one of the key selling arguments for attracting new investments into Luxembourg and so increase tax revenues.



TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### NEW SUBSCRIPTION TAX EXEMPTION FOR ACTIVELY MANAGED UCITS ETF

The law of 17 December 2010 relating to undertakings for collective investment (“UCI”) will be amended to introduce a new subscription tax exemption for certain actively managed undertakings for collective investment in transferable securities exchange traded funds (“UCITS ETFs”).

Actively managed UCITS ETFs benefit from the exemption if their units or shares are traded all day long on at least one regulated market or multilateral trading facility, and where at least one market maker intervenes to ensure that the price of their units or shares does not deviate significantly from their net asset value and, where applicable, their indicative net asset value. If there are several units or compartments within the UCITS, the exemption applies to the unit or compartment qualifying as ETF.

The objective of the measure is to improve the tax framework of Luxembourg investment funds and foster the development and competitiveness of this sector on both the European and international financial scenes. The Luxembourg Government considers that the introduction of a subscription tax exemption for these UCITS ETFs is necessary to enable Luxembourg, as Europe's leading centre for traditional investment funds, to position itself as early as possible in this emerging market for UCITS ETFs.

Because the subscription tax is a tax levied a quarterly basis, the new exemption will apply as from the first quarter following the publication of the 8414 law, i.e. most probably as from 1 January 2025, assuming that the law will be published before the end of 2024.



TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### AMENDMENTS OF THE SPF REGIME

Several amendments to the law of 11 May 2007 on the creation of the private wealth management company (société de gestion de patrimoine familial, “SPF”) have been introduced to modernise the regime applicable to SPFs.

As a reminder, a SPF is a company whose exclusive purpose is the acquisition, holding, management and realisation of financial assets (thus excluding any type of commercial activity) and which is held by individuals managing their private wealth or entities or intermediaries acting in the interest and on behalf of the private investors. SPFs are exempt from CIT, MBT and net wealth tax (“NWT”) and are only subject to an annual subscription tax of 0.25%.

The following amendments will be introduced to the SPF regime:

#### SUBSCRIPTION TAX

SPFs are subject to an annual subscription tax of 0.25%, levied on the sum of (i) the paid-up share capital, (ii) the share premium and (iii) the aggregate amount of debt of any type exceeding eight times the paid-up share capital and the share premium.

As a first amendment to the SPF regime, the minimum annual subscription tax will be increased from EUR 100 to EUR 1,000. In addition, in order to clarify the situation of SPFs with a financial year which differs from the calendar year, the date on which debts will have to be taken into account, when computing the subscription tax base, will be the first day of the financial year (instead of the 1st of January, as under the former rules).

The increase of the minimum amount will apply as from the first quarter following the publication of the law, i.e. most probably as from 1 January 2025, assuming that the law will be published before the end of 2024.





TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### AMENDMENTS OF THE SPF REGIME

#### AUDIT AND SECTIONS

The audit procedure has been clarified. It has been specified under which conditions, and in which circumstances, the tax authorities may decide to pronounce the withdrawal of the benefit of the SPF tax provisions.

The formal conditions applicable to the notification of the withdrawal decision have also been clearly defined. So far, the law only indicated that a withdrawal decision could be taken each time the SPF did not comply with the legal, regulatory, or statutory provisions of the SPF Law. Following the changes introduced, the withdrawal of the SPF's tax status will only be possible in the event of a breach of a certain level of gravity and only to the extent that it has been persisting during at least 6 months following the notification of the breach by the tax authorities.

A series of new financial sanctions will also be introduced, which range from EUR 10,000 to EUR 250,000, depending on the type of breach(es) of the SPF law requirements.

These provisions will apply as from the entry into force of the law, i.e. 3 days after the publication of the law in the Luxembourg official gazette, which is expected to take place in the course of December 2024.

#### DIGITALISATION

The certificate which must be prepared to evidence that the SPF complies with all the conditions required by the SPF law to benefit from the SPF regime will now have to be filed electronically. This change will apply as from the first quarter following the publication of the law, i.e. most probably as from 1 January 2025, assuming that the law will be published before the end of 2024.

# TAX

## TAX RELIEF PACKAGE PASSED BY THE PARLIAMENT ON 11 DECEMBER 2024

### INTERESTED?

Get in touch with:

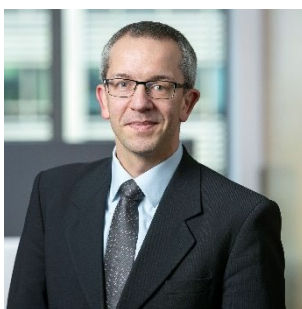


**Paul Leyder**

Partner

+352 45 123 734

[paul.leyder@bdo.lu](mailto:paul.leyder@bdo.lu)



**Bertrand Droulez**

Partner

+352 45 123 591

[bertrand.droulez@bdo.lu](mailto:bertrand.droulez@bdo.lu)



**Astrid Barnsteiner**

Director

+352 45 123 575

[astrid.barnsteiner@bdo.lu](mailto:astrid.barnsteiner@bdo.lu)

### BDO IN LUXEMBOURG

▼  
**Audit &  
Assurance**

▼  
**Advisory**

▼  
**Business Services &  
Outsourcing**

▼  
**Tax**



This publication has been carefully prepared, but it has been written in general terms and should be seen as containing broad guidance only.

This publication should not be used or relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained in this publication herein without obtaining specific professional advice.

Please contact the appropriate BDO Member Firm to discuss these matters in the context of your particular circumstances.

No entity of the BDO network, nor the BDO Member Firms or their partners, employees or agents accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO is an international network of public accounting firms, the BDO Member Firms, which perform professional services under the name of BDO. Each BDO Member Firm is a member of BDO International Limited, a UK company limited by guarantee that is the governing entity of the international BDO network.

Service provision within the BDO network is coordinated by Brussels Worldwide Services BVBA, a limited liability company incorporated in Belgium with its statutory seat in Brussels.

Each of BDO International Limited (the governing entity of the BDO network), Brussels Worldwide Services BVBA and the member firms of the BDO network is a separate legal entity and has no liability for another such entity's acts or omissions. Nothing in the arrangements or rules of the BDO network shall constitute or imply an agency relationship or a partnership between BDO International Limited, Brussels Worldwide Services BVBA and/or the member firms of the BDO network.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

© 2024 BDO Tax & Accounting

All rights reserved.

[www.bdo.lu](http://www.bdo.lu)

**BDO**