

UPDATE

Luxembourg announces new tax measures to boost competitiveness

Update prepared by Eléonore Galleron (Luxembourg)

On 17 July 2024, Luxembourg's Minister for Finances, Gilles Roth, announced a series of tax measures for businesses and residents, aimed at reinforcing the competitiveness of Luxembourg.

We have provided a summary of changes below, which are applicable from the beginning of the 2025 fiscal year.

What businesses need to know

Reduction in corporate income tax

Luxembourg companies with taxable income exceeding €200,000 will benefit from a reduction in corporate income tax from 17 per cent to 16 per cent.

Support for entrepreneurs and small businesses

Corporate income tax will be reduced from 15 per cent to 14 per cent for entrepreneurs and small businesses with taxable income of up to €175,000.

Exemption for ETFs

Exchange-Traded Funds (ETFs) will benefit from an exemption from subscription tax.

Measures to support Luxembourg resident individuals

Tax rate decrease for low-income individuals

There will be a decrease in the tax rates applicable to individuals with low income.

New tax-exempt bonus for young people

People under the age of 30 who will get their first permanent employment contract will be eligible to receive a bonus ranging from €2,500 to €5,000, and will benefit from a tax exemption of the bonus up to 75 per cent.

Tax credit for frontier workers

A tax credit for overtime worked by frontier workers of up to €700 per year will be introduced.

Exemption for impatriates

There will be a 50 per cent exemption of gross annual salary up to a maximum of €400,000 for impatriates.

Tax relief for single-parent families

Single-parent families will receive tax relief.

Increase in deductible interests on mortgage loans

The deductible interests on mortgage loans financing the acquisition of existing housing will be increased, applicable from the fiscal year 2024.

Increase in partially tax-exempt profit-sharing bonus

The partially tax-exempt profit-sharing bonus will be increased from 25 per cent to 30 per cent of gross annual salary.

The above-mentioned set of measures is an encouraging sign of the Government's determination to strengthen the attractiveness of Luxembourg's economy and position as a leading international finance centre.

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