

ATOZ ALERT

The new UK-Luxembourg Double Tax Treaty applicable as from 2024

11 December 2023

On 8 December 2023, it was [officially announced](#) that the new double tax treaty concluded between Luxembourg and the UK (the “DTT”), approved by the [Law of 18 September 2023](#) entered into force on 22 November 2023 in respect of both contracting parties. This means that both countries have finally exchanged their instrument of ratification.

Impact

The DTT introduces a number of changes and in certain cases (particularly for real estate investors) very significant changes. It is important that the impact of the changes be carefully considered from a group/fund structure perspective, expected and modelled returns, cash requirements and financial reporting.

The impact of the new DTT should also be carefully considered by dual residence companies in order to make sure that their current tax residence for DTT purposes is not impacted.

It is without doubt that the DTT will be positive for Luxembourg collective investment vehicles investing in the UK as they will now be able, under certain conditions, to benefit from an exemption of UK withholding tax on interest and they already benefit from the dividend withholding tax exemption under the UK internal rules.

For more details about the changes introduced by the DTT, [please read our previous article on this topic](#).

As from when the DTT will be applicable?

Since the DTT entered into force in November 2023, the new DTT will become applicable as follows:

In Luxembourg, it would apply:

- in respect of taxes withheld at source, to income derived on or after 1 January 2024; and
- in respect of other taxes on income, and taxes on capital, to taxes chargeable for any taxable year beginning on or after 1 January 2024.

In the UK, the DTT would apply:

- in respect of taxes withheld at source, to income derived from 1 January 2024;
- in respect of income and capital gains tax, to any year of assessment from 6 April 2024;
- for corporation tax (including corporation tax on capital gains), for any financial year beginning on or after 1 April 2024.

In the UK, whilst for corporation taxpayers the earliest the new treaty could apply is therefore 1 April 2024, in reality it could be the year after. A number of companies and groups have financial years starting 1 January and for these the DTT would only apply from 1 January 2025.

Do you have further questions?



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