



# ATOZ ALERT

---

## Parliament's finance committee passes amendments to the carried interest draft law

18 November 2025

Yesterday, the Luxembourg parliament published amendments to the carried interest draft law (the “**Draft Law**”) that aims to clarify and modernise the Luxembourg tax regime applicable to carried interest received by individual managers of alternative investment fund managers (“**AIFMs**”). These amendments were adopted by Parliament's finance committee on 14 November 2025.

The proposed amendments address concerns raised by the Council of State in its opinion dated 21 October 2025 on the extended scope of the beneficiaries of the carried interest tax regime.

In this Alert, we outline how the Draft Law has been modified by the adopted amendments. If you would like to know more about the initial Draft Law, please read our latest [ATOZ Insight's](#) article “[Luxembourg confirms and enhances its carried interest tax framework](#)”.

### Extended scope of the beneficiaries in the initial Draft Law

The current Luxembourg carried interest tax regime applies only to employees of AIFMs or alternative investment funds (“**AIF**”) management companies, excluding individuals such as advisory board members, strategic partners, or employees of affiliated entities. In practice, carried interest can be allocated to these individuals as well.

The Draft Law proposes to broaden the regime to include all individual carry holders who are managers or work directly or indirectly “in the service of” AIFMs or management companies, regardless of employment status. Payments may be made directly by the AIF or via its manager or general partner acting on behalf of beneficiaries.

### Opinion of the Council of State

In its opinion, the Council of State expressed a formal objection, noting that the scope of beneficiaries under the proposed regime was overly broad and imprecise, creating legal uncertainty. Specifically, the opinion highlighted that “it is not clear from the draft text precisely

which players are being targeted as being ‘in the service of’ alternative investment fund managers or management companies.”

Consequently, the Council of State requested a revision of the Draft Law to ensure a clearer delineation of the circle of beneficiaries.

### Amendment: Introduction of a definition of beneficiaries

To address the Council of State’s request and account the diversity of individuals who may pretend to carried interest, the amendments tend to define conditions that must be met to fall within the scope of the carried interest tax regime, rather than prescribing a fixed list of beneficiaries. According to the commentaries on the amended Draft Law, the government emphasises that it is not the role of the fiscal legislator to determine who is entitled to carried interest. The allocation of carried interest is the result of various discretionary agreements, notably between investors, investment funds, and managers.

The amended Draft Law defines the persons in scope of the carried interest tax regime as those who meet two conditions: they must be individuals and contribute to the management of the AIF.

More specifically, two scenarios are envisaged:

- The individual performs an investment management function for the AIF, whether under an employment contract or as a partner, manager, or director.
  - Functions such as portfolio management and risks management are included.
  - Individuals performing purely administrative functions are excluded.
- The individual acts as a service provider involved in AIF management under a consulting services agreement.
  - The agreement may be concluded directly by the individual or through one or more intermediary entities.

### Conclusion

The amendment proposed by the government aligns with the Draft Law’s objective of establishing a tax framework for fund managers and, indirectly, for so-called “front-office” activities.

In addition, carried interest must reflect genuine commercial and financial substance and, in practice, is allocated to a limited number of individuals. As a result, adding a definition of beneficiaries should not substantially limit the Draft Law’s overall application.

### Do you have any questions?



**PETYA DIMITROVA**

Partner

[International & Corporate  
Tax](#)

[petya.dimitrova@atoz.lu](mailto:petya.dimitrova@atoz.lu)

T +352 26 940 224

**MARIE BENTLEY**

Chief Knowledge Officer

[marie.bentley@atoz.lu](mailto:marie.bentley@atoz.lu)

T +352 26 940 903