



# ATOZ ALERT

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## Luxembourg's new Start-Up Tax Credit: Key features and implications for investors as from 2026

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Yesterday, the Luxembourg Parliament passed a law (the “**Law**”) which introduces, as of the 2026 tax year, a new start-up tax credit (the “**Start-Up Tax Credit**”) aimed at encouraging individuals to invest in young innovative companies (the “**Start-Up Entities**”).

The final version of the Law incorporates [amendments](#) proposed by the government during the legislative process to address formal objections raised by the Council of State. These amendments notably:

- remove the exclusion of investments through fiscally transparent entities;
- revise the definition of “related enterprises” for greater legal certainty;
- remove inequality between chartered accountants and accountants; and
- clarify the notion of “amount invested in share capital”.

This Alert outlines the key provisions of the Law and how the new Start-Up Tax Credit is computed<sup>1</sup>.

### Eligible Investors and investment structures

#### INDIVIDUAL INVESTORS

The Start-Up Tax Credit is designed to promote individual investment in Start-Up Entities. To qualify for the credit, the taxpayer must be a tax resident or assimilated non-resident individual (the “**Investor**”) who invests in and holds, for at least three uninterrupted years, shares directly in a qualifying Start-Up Entity.

However, the qualifying Investor cannot be an employee or a founder of the Start-Up Entity.

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<sup>1</sup> For further details on the Law, please refer to our ATOZ Insight's article “[Draft law introducing a new startup tax credit for individuals as from 2026](#)”.

## ALLOWED INVESTMENT STRUCTURES

To benefit from the Start-Up Tax Credit, the Investor must invest in a Start-Up Entity and acquire new shares or securities representing the share capital of the Start-Up Entity, either at incorporation or upon a capital increase. Investments made through tax-transparent partnership, such as a limited partnership (*société en commandite* or “SCS”), a special limited partnership (*société en commandite spéciale* or “SCSp”) are eligible to the Start-Up Tax Credit.

To avoid situations of double benefit, the Start-Up Tax Credit is not granted taxpayers who invest in Start-Up Entities through a business, even if the taxpayer exploits such business on an individual basis.

### Eligible Start-Up Entities

#### THRESHOLDS FOR INCLUSION IN THE REGIME

The Start-Up Entity must employ fewer than 50 employees and have total assets or annual turnover not exceeding EUR 10,000,000

These criteria are assessed at the end of the financial year, corresponding to the tax year for which the credit is claimed. If the entity belongs to a group, the thresholds must be satisfied at the group level and certified by a statutory auditor or chartered accountant.

Additionally, all group entities must have been incorporated for less than five years.

#### EXCLUDED SECTORS OF ACTIVITY

The Start-Up Entity must not be active in certain sectors deemed not sufficiently innovative and therefore ineligible for the Start-Up Tax Credit. For that purpose, the Law lists the excluded sectors of activity. Amongst excluded entities are “Statutory audit firms, approved audit firms, audit companies, or certified accountants and accountants”.

Companies in difficulty (as defined in Article 2, point 18, of EU Regulation No. 651/2014) are also excluded from the scope of the Start-up Tax Credit.

### Eligible investment amount

#### INVESTMENT IN SHARE CAPITAL

The Start-Up Tax Credit amount is calculated based on the total amount invested in the share capital of the Start-Up Entity, including share premium but excluding equity contributions not compensated by shares recorded in account 115.

The Start-Up Tax Credit is claimed for the tax year during which the shares subscribed by the Investor were fully paid up.

#### INVESTMENT THRESHOLD

To be eligible, investments must be at least EUR 10,000. In addition, an Investor may not hold more than 30% of the share capital of the Start-Up Entity. Investments exceeding this threshold are not eligible for the Start-Up Tax Credit.

Moreover, only the first total eligible investments of EUR 1,500,000 received from Investors (excluding, for instance, founders, corporate investors, or investments that do not exceed the minimum threshold of EUR 10,000) can benefit from the Start-Up Tax Credit. This EUR 1,500,000 threshold is assessed by Start-Up Entity.

### Start-Up Tax Credit amount

The Start-Up Tax Credit amounts to 20% of the eligible investment and is capped at EUR 100,000 per Investor per year.

### Conclusion

Despite its limited scope and strict conditions, the Start-Up Tax Credit demonstrates Luxembourg's commitment to promoting and enhancing national competitiveness and marks an important step in Luxembourg's strategy to strengthen its start-up ecosystem.

Building on this commitment to fostering innovation and talent, the Luxembourg government is also preparing measures that complement the tax credit by addressing employee incentives. To that end, in addition to the specific tax regime for impatriates as well as the profit participation regime already in place, the government is working on introducing a new tax regime for stock option plans granted to employees of start-up companies.

### Do you have any questions?



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