

ATOZ ALERT

Luxembourg Draft Budget 2027: Key tax measures for businesses, investors and employers

8 October 2026

On 7 October 2026, the Luxembourg Government submitted to Parliament a [draft budget for 2027](#) (the “Draft Budget”) and its [2026–2030 multi-year financial plan](#). The Draft Budget continues the implementation of tax measures announced in the government’s 2023-2028 coalition agreement. The proposed changes are expected to affect individuals and corporate taxpayers, as well as capital gains, employers and real estate investments.

Most measures are expected to apply from tax year 2027.

This Alert highlights the Draft Budget’s principal tax measures affecting businesses.

1% Reduction in the corporate income tax rate

To strengthen the competitiveness of Luxembourg businesses amid changes in the international tax environment, and to encourage investment, innovation and job creation, the Luxembourg Government proposes to reduce the corporate income tax (“CIT”) rate.

In line with the Government’s coalition programme, the Draft Budget provides for a 1 percentage-point reduction in the CIT rates, effective from tax year 2027.

- **The threshold for the lower CIT rate would increase**, broadening its scope: the rate would apply to taxable income not exceeding EUR 200,000, compared with the current threshold of EUR 175,000.
 - The **rate** itself would also **decrease, from 14% to 13%**.
- **The threshold for the maximum CIT rate would increase**, narrowing its scope: the 15% rate would apply only to taxable income exceeding EUR 250,000, compared with the current threshold of EUR 200,000.
 - The **rate** itself would also **decrease, from 16% to 15%**.
- **A gradual transition** between the 13% and 15% rates would apply to taxable income between EUR 200,000 and EUR 250,001. illustrates the calculation with proposed tax amounts of EUR 27,150 on taxable income of EUR 205,000 and EUR 37,500 on taxable income of EUR 250,000.

As from 2027, taking into consideration the Municipal Business Tax (“**MBT**”) and the solidarity surcharge for the employment fund, the overall CIT rate of companies located in Luxembourg-City with taxable income exceeding EUR 250,000 will therefore be **22.80%** (16.05% of CIT + solidarity surcharge and 6.75% of MBT) instead of currently 23.87%. For small businesses, the rate will decrease from 21.73% in 2026 to 20,66% in 2027 (13,91% of CIT + solidarity surcharge and 6.75% of MBT).

This CIT cut will bring Luxembourg’s nominal tax rate even closer to the average statutory tax rate in force in 2026 at European Union level (21.6%).

Reintroduction of unlimited tax loss carryforwards

The Draft Budget proposes to abolish the 17-year limit on the carryforward of tax losses for income tax purposes, including CIT and MBT purposes.

Before 2017, tax losses could be carried forward indefinitely in Luxembourg. The 2017 tax reform introduced a 17-year limit for losses incurred from the 2017 tax year onward, while preserving the unlimited carryforward for losses incurred before 2017. Under the existing rules, the first losses subject to the limit could expire in 2034.

The Draft Budget would restore unlimited carryforward treatment for losses incurred after 31 December 2016. Accordingly, losses incurred from the 2017 tax year onward would no longer expire. As no such losses could expire before 2034, the measure removes a restriction before it would otherwise take effect.

The change may be particularly relevant to start-ups, real estate businesses and other capital-intensive structures with long profit cycles. Companies should continue to document their losses carefully, as the existing conditions for using them would remain in place.

Illustrative example: a 2017 loss, before and after

Assumptions (simplified, for illustration only):

- A Luxembourg company incurred a tax loss of EUR 1,000,000 in 2017.
- It makes no taxable profits for many years, then earns EUR 150,000 per year from 2035 onward.
- All other loss-use conditions are met (no change of activity or ownership issue, losses properly assessed, etc.).
- Under the current rules, the 17-year period for a 2017 loss is read as ending with the 2034 tax year.

	Current rules (17-year limit)	Proposed rules (unlimited)
<i>Treatment of the 2017 loss</i>	Usable up to and including 2034, then expires	Usable without time limit
<i>Profits 2018 – 2034</i>	Offset against the loss, if any profits arise	Same
<i>Profits from 2035 (EUR 150,000 / year)</i>	Fully taxable , as the 2017 loss has expired	Offset against the remaining 2017 loss until it is exhausted
<i>Remaining loss at end of 2034 (assuming none used earlier)</i>	EUR 1,000,000 lost	EUR 1,000,000 preserved
<i>Years of shelter from 2035</i>	0	About 6.7 years (1,000,000 / 150,000)

Under the **current rules**, the company would pay tax on EUR 150,000 per year from 2035, i.e. roughly EUR 34,500 per year (at the new tax rate of 23%), and the EUR 1,000,000 loss is wasted.

Under the **proposed rules**, the company pays **no tax** on those profits for about 6/7 years until the loss is used up, i.e. a tax saving of roughly EUR 230,000 in total (EUR 1,000,000 x 23%).

Investment tax credit rates increased for digital and green projects

Luxembourg's investment tax credit ("ITC") (*bonification d'impôt pour investissement*) is an important incentive for business investment. It comprises two components that may be combined: a global ITC for qualifying investments in depreciable tangible assets, and a supplementary ITC for investments in specified areas.

The supplementary ITC has been used to steer investment towards the digital transformation and the ecological and energy transition of companies, two priorities of national policy. The current rate of the supplementary tax credit is either 18% or 6%, depending on whether investments are made in tangible depreciable assets or not.

The Draft Budget proposes to increase these rates to further support those areas of investment.

- **Digital transformation and ecological and energy transition:** The ITC rate for qualifying investments and operating expenses would increase from 18% to 21%.
- **Specified investments in depreciable tangible assets:** The relevant supplementary ITC rate would increase from 6% to 9%. When combined with the global ITC available for investments in depreciable tangible assets, the overall ITC rate for qualifying investments in these areas could reach 21%.

Capital gain tax: Longer holding periods for speculative gains

The Draft Budget proposes to extend the holding period used to determine whether a gain on the disposal of movable assets, including securities, qualifies as a speculative gain from six to twelve months. The extension would also apply to the relevant period for carried interest under Article 99bis of the Luxembourg Income Tax Law and to non-resident taxpayers.

Under current rules, gains realised by an individual on the disposal of securities are generally taxable only if the disposal falls within the speculation period or other conditions are met, such as the existence of a substantial shareholding. For securities that do not fall within such other conditions, a gain realised after a holding period of more than six months is outside the speculative-gains regime. If the Draft Budget is adopted, the holding period would need to exceed twelve months.

The measure should take effect from tax year 2027. Accordingly, planned securities disposals should be reviewed carefully, particularly where the holding period at the time of disposal would be between six and twelve months.

All other rules governing speculative capital gains, including their tax treatment, would remain unchanged.

New amortisation and deduction rules for residential investments

The accelerated depreciation regime for rental housing has changed several times in recent years. Under the 2021 budget law, the rate applicable to new real estate investments allocated to rental housing was brought down from 6% to 4% as from tax year 2021, and the real estate could no longer be older than five years (instead of six) to be regarded as a new residential investment. The same rules applied to expenditure on the renovation of old dwellings, and a specific regime was introduced for renovation work enabling the use of sustainable energy.

The Draft Budget now proposes to reverse this trend. From tax year 2026, under the modified rules, qualifying buildings used for rental housing could again benefit from accelerated depreciation at 6%, up from the current 4%, and the maximum age of the building would return to six years. To qualify, the value used to calculate depreciation for the building as a whole at completion must not exceed EUR 600,000, and completion must have occurred less than six years before the start of the operating year.

The threshold would be assessed on the value of the whole building at completion, rather than on an individual owner's share. That value would continue to determine eligibility if the property were later sold, and it may differ from the depreciation base used to calculate an individual taxpayer's deduction. For example, a building with a completion value of EUR 600,000 could qualify for the 6% rate even if its overall price, including land, were EUR 800,000, and where completion took place at the start of the financial year less than six years ago. The annual deduction would be EUR 36,000, in respect of accelerated amortisation, subject to any first-year apportionment. A building valued at EUR 650,000 at completion would not qualify.

The proposed 6% rate could also apply to qualifying investment expenditure on renovating older rental housing. The expenditure would need to exceed 20% of the building's acquisition price or cost, the building's acquisition price or cost as a whole could not exceed EUR 600,000, and the renovation would need to have been completed less than six years before the start of the operating year.

Transitional rules would maintain the current 4% rate in certain cases. They would cover qualifying properties acquired or constructed, or renovations completed, after 31 December 2020 and before 1 January 2026, subject to the existing conditions. A 4% rate could also remain available for certain properties acquired or constructed, or renovations completed, after 31 December 2025 and before 1 January 2027, including cases where the relevant value exceeds EUR 600,000 and the new 6% accelerated amortisation rate therefore cannot apply.

Simplification of employer reporting under the impatriate and employee profit-sharing regimes

In recent years, Luxembourg has introduced two employee-focused tax regimes that entail specific reporting obligations for employers: the employee profit-sharing regime (prime participative), which provides favourable tax treatment for a bonus linked to company profits, and the impatriate regime, which offers favourable tax treatment to certain employees relocating to Luxembourg. To enable the tax authorities to verify that the relevant conditions are met, employers have been required to submit named lists of the employees concerned.

As part of a broader administrative simplification effort, the Draft Budget proposes to remove the requirement to submit named lists of employees receiving a prime participative or benefiting from the impatriate regime. According to the Draft Budget's explanatory commentary, the ACD can already identify the relevant employees from the salary account statements submitted by employers, making separate lists redundant.

For the impatriate regime, this proposed simplification may also help clarify the status of the employer declaration. The Draft Budget appears to address duplicate reporting requirements without changing the substantive eligibility conditions. This could support the view that the employer declaration is a reporting formality, rather than a condition for an employee to benefit from the regime, a matter that has been the subject of debate.

Questions?



FANNY BUEB

Partner

[International & Corporate Tax](#)

fanny.bueb@atoz.lu

T +352 26 940 206



MARIE BENTLEY

Chief Knowledge Officer

marie.bentley@atoz.lu

T +352 26 940 903