

ATOZ TAX ALERT



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New IP regime to be introduced in 2018

This morning, Prime Minister Bettel gave his annual speech on the state of the nation.

During the speech, the introduction of a new IP (intellectual property) tax regime was announced.

This announcement has been much anticipated following the repeal of the former Luxembourg IP regime by the 2016 budget law.

The repeal followed the release of the report on Action 5 of the BEPS Action plan Countering Harmful Tax Practices More Effectively, Taking into Account Transparency and Substance. This report sets the conditions for an IP regime to be considered as not harmful and thus “BEPS-compliant”.

Given that the former Luxembourg IP regime, like several other foreign IP regimes, did not meet these requirements, it had to be abolished. At the time of the repeal, it was announced that a replacement regime would be subsequently introduced in Luxembourg, in line with the requirements defined in the BEPS report.

Following the announcement made this morning, it is now clear that the Luxembourg government intends to have its new IP regime in place as from 2018. This new regime should strengthen R&D activities in Luxembourg. No details were provided in the speech regarding the new regime, although a number of proposals have been circulated. It will be necessary to await the release of the draft legislation to know the approach taken. What is clear is that the new regime will have to be in line with the so-called “modified nexus” approach defined in the Action 5 report, meaning that the application of the regime will depend on the extent of R&D activities performed by the tax payer.

We will keep you informed of the developments to come.

Can we help? Do you have further questions?



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