**New Luxembourg measures**

The following new measures have been recently enacted and are now in forced.

**Step up**

In case a non-resident individual transfers its tax residence to Luxembourg, the acquisition price of important participations (more than 10% in the share capital) he owns in companies shall be valued, from a Luxembourg point of view, at market value at the date of transfer of tax residence. In case of a further disposal, no capital gain shall be taxed in Luxembourg on the increase in value of these participations for the period before the change of residence of the individual.

Moreover, some solutions exist to contribute in kind such participations to Luxembourg companies which would be afterwards exempted from potential capital gain taxation.

**Reduction of the net wealth tax rate**

The rate of Net Wealth Tax shall be 0,05% on the net taxable wealth exceeding 500 M EUR, instead of the common 0,5% rate. This latter rate shall continue to apply on the net taxable wealth under 500 M EUR.

Eligible participations remain out of the scope of the Net taxable Wealth.

**Minimum Corporate Income Tax and minimum Net Wealth Tax**

Some financial companies were subject to a minimum Corporate Income Tax of EUR 3 210. This minimum lump sum taxation is abolished, and replaced by a minimum Net Wealth Tax of EUR 3 210 in case:

* Financial assets of such companies represent more than 90% of their total balance sheet
* And if these financial assets amount to more than EUR 350 000

In all other cases the minimum NWT will differ, starting at EUR 535, depending on the level of the balance sheet.

**IP Regime**

Pursuant to Luxembourg IP regime, Luxembourg companies benefited from an 80% exemption on revenues deriving from certain Intellectual Property rights.

This regime, in order to comply with international standards, shall be abolished as from 1st July 2016.

Nevertheless, a grand fathering clause shall apply up to 30th June 2021 for revenues deriving from eligible IP rights acquired before 1st July 2016.

**Luxembourg participation exemption regime: introduction of anti-abuse provisions**

Luxembourg has introduced anti avoidance rules in its domestic participation exemption regime, in line with amendment of EU parent-subsidiary directive. Thus, substance and business justification may become even more crucial.

**Consolidated financial statements**

Luxembourg parent companies are subject to establish consolidated financial statements if, for two following years, at least two of the following criteria are reached within the group:

* Total balance sheet: EUR 20 000 000
* Net turnover: EUR 40 000 000
* Number of employees: 250

Luxembourg government is moreover expected to introduce a deep tax reform in 2017 which would significantly reduce the Corporate Income Tax rate.

Should you need any further information on the above, please do not hesitate to contact:

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