



Luxembourg tax: what's new in 2025?

Insights - 03/01/2025

The new year brings a series of significant tax changes, representing a strategic shift to promote Luxembourg and encourage investments within the jurisdiction.

The key modifications impacting Luxembourg tax payers are summarised below.

Corporate income taxation

Corporate income tax rate reduction

The global ordinary rate lowers from 24.94% to **23.87%** for companies based in Luxembourg City.

Interest limitation rules: deductibility of borrowing costs vehicles

The rules surrounding the deductibility of borrowing costs have been amended to introduce the concept of a single entity group (**SEG**). Securitisation vehicles could notably qualify, on certain conditions, as SEG when financed by third party debt and then deduct the entirety of their exceeding borrowing costs. The practical impact of these changes should be carefully reviewed on a case by case basis.

Clarification of the buy back regime for classes of shares

The law provides new conditions for considering the redemption of an entire class of shares (or corporate units), followed by a timely cancellation as a partial liquidation which is not subject to Luxembourg withholding tax. These are welcome clarifications, providing legal certainty on this mechanism.

Introduction of optionality for dividends and capital gains tax exemptions

There is a new annual opt out option for tax exemption on dividends and capital gains, which could be useful in case of available carry forward tax losses.

Other tax measures

Exchange traded funds subscription tax exemption

Actively managed exchange traded funds (ETFs) are now exempt from the subscription.

Tax reduction of registration and transcription duties on real estate

The taxable base for registration and transcription duties on real estate is reduced by 50% for property acquired between 1 October 2024 and 30 June 2025.

Simplifications to the minimum net wealth tax regime

The minimum net wealth tax (NWT) has been revised to:

- €535 when the total balance sheet is less than or equal to €350,000
- €1,605 when the total balance sheet is between €350,000 and €2 million
- €4,815 when the total balance sheet exceeds €2 million

Other changes to note

The following changes have also been voted on and will take effect:

- increase of the CO2 tax credit
- modifications to the impatriate regime
- adjustments to the tax rate for individuals
- incentives for young employees
- participation bonus (prime participative) regime increase
- tax credit for cross border workers' overtime hours
- modernisation of the SPF law
- introduction of a consultive committee

Read more

For more information on the draft laws, read:

[Luxembourg: new tax measures from the 2025 draft Budget law](#)

[Luxembourg tax updates: what do they mean for your business?](#)

How Ogier can help

These legislative updates reflect a series of strategic shifts in the Luxembourg tax landscape, aimed at promoting the jurisdiction and encouraging investments.

If you have any questions or require further clarification in relation to these 2025 Luxembourg tax updates, reach out to a member of our team using the contact details below.

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