



Luxembourg tax reform: first steps taken

The law which introduced the first tax change announced by the Luxembourg Government back on 29 February and 21 April of this year was passed by the Parliament on 14 June and will apply as from 1 July 2016. The change introduced is a temporary measure of dealing with the individual tax treatment of long term capital gains realised on the sale of real estate assets. The aim of this temporary measure is to improve the access to housing.

Long term capital gains (2+ years) are now considered “extraordinary income” and now taxed at a quarter of the rate otherwise applicable.

According to the new law, long term capital gains (i.e.) capital gains realised after more than 2 years) realised between 1 July 2016 and 31 December 2017 by individuals are now considered as an “extraordinary income”. As such, they will be taxed at a quarter of the rate otherwise applicable in accordance with the Luxembourg income tax law.

Until now, long term capital gains were taxed at a half of the rate otherwise applicable. Speculative gains, i.e. gains realised within 2 years following the date of acquisition of the real estate asset cannot benefit from the favourable measure and remain taxable at the full rate.

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