

# 5. TAXATION

Companies in Luxembourg are subject to corporate tax and have to apply value added tax (VAT) to their products and services. Individuals are taxed based on their personal situation.

## CORPORATE TAX

The corporate income tax amounts to 16% for a company with taxable income exceeding €200,000. An additional charge of 7% is levied on corporate income tax as a contribution to the employment fund. A municipal business tax between 6.75% and 10.5%, depending on the municipality, applies to companies. The overall tax rate for companies located in Luxembourg City amounts to 23.87%.

Businesses with taxable income lower than €175,000 are subject to corporate income tax at a rate of 14% (plus the 7% contribution to the employment fund). Businesses with taxable income between €175,000 and €200,001 are subject to corporate income tax (plus the 7% contribution to the employment fund) computed as follows: €24,500 plus 30% of the tax base above €175,000.

In addition, a net wealth tax of 0.5% (or 0.05% over €500 million assets) is levied with a minimum lump sum tax ranging from €535 to €4,815 per year.

### Various tax incentives are also available, subject to certain conditions:

- > qualifying IP assets benefit from an 80% exemption from income tax;
- > tax credits are available for general investments, with an extra deduction for specific investments connected to the digital and ecological transformation up to 18%.

## PERSONAL INCOME TAX RATE

Workers in Luxembourg are granted a tax class based on their personal situation.

Luxembourg's [income tax rate](#) for natural persons is one of the lowest in Europe, particularly for married couples or partners. Income tax is based on 23 tax brackets and the highest marginal tax rate amounts to 42% since 2017. The entire tax schedule brackets has been further adjusted as from 2025. The effective tax charge for employees earning the non-qualified minimum social wage is nil.

A modernised impatriate tax regime was introduced in 2025. Eligible employees relocating to Luxembourg will benefit from a straightforward 50% tax exemption on their annual gross remuneration, up to €400,000, with a minimum annual base remuneration of at least €75,000.

### To attract young talent, Luxembourg has introduced two new measures as from 2025:

- > Young employee bonus foreseeing a 75% tax exemption on bonuses for employees under 30, subject to specific conditions and limits.
- > Specific monthly rental allowance partially tax-exempt up to €1,000 for employees under 30, subject to certain income limits.
- > Specific profit-sharing scheme rules that Luxembourg companies can provide to employees which are 50% tax exempt under certain conditions.



## LUXEMBOURG VAT RATES

The standard [VAT rate](#) applicable to the provision of services in Luxembourg is at 17%. It is the lowest in the European Union.

Companies that are subject to VAT need to make an initial declaration to the Indirect Tax Authority in order to receive a [VAT identification number](#).

