Direct Tax Compliance Services & Tax overview – 2018

Mazars' ethics relief on our DNA

MAZARS

What we offer as a tax service provider ?

Our values

- **Integrity**
- **Technical Excellence**
- **Continuity**
- **Responsability**

The Direct Tax Compliance Services provide assistance in the following **key areas**:

- **Tax provisions**
  - ✓ Estimation or review of quarterly and annual tax provisions

- **Corporate tax returns**
  - ✓ Preparation of Corporate tax returns including all necessary appendices;
  - ✓ Review of Corporate tax returns prepared by third parties;
  - ✓ Liaising with the Luxembourg Tax Authorities in case of questions on prepared and filed tax returns;
  - ✓ Review of the tax assessments received from the Tax Authorities;
  - ✓ E-filing of Corporate tax returns via *MyGuichet.lu.*

- **Other services**
  - ✓ Preparation of subscription tax forms;
  - ✓ Preparation of directors' fees and withholding tax returns;
  - ✓ Tax compliance due diligence;
  - ✓ Country-by-Country (“CbC”) reporting;
  - ✓ CBC e-notification via *MyGuichet.lu;*
  - ✓ Insurance Tax Premium returns.

2018 Tax overview

CORPORATE INCOME TAX (CIT) & UNEMPLOYMENT FUND CONTRIBUTION (UFC)

Taxable income	CIT rate	Unemployment Fund	Total
≤ € 25.000	15%	7%	**16,05%**
> € 25.000 and ≤ € 30.000	€ 3.750 + 33% *(between € 25.000 and € 30.000)*	7%	**€ 4.012,50 + 35,31%** *(between € 25.000 and € 30.000)*
> 30.000	18%	7%	**19,26%**

MUNICIPAL BUSINESS TAX (MBT)

Allowances	Base rate	Municipal Business Tax rate	Total
€ 17.500	3%	225% to 350% *(Luxembourg city : 225%)*	**6,75%** *(Luxembourg city)*

NET WEALTH TAX (NWT)

Minimum NWT for SOPARFI: € 4.815 Minimum NWT for other companies:	
Balance sheet total (€)	Minimum NWT (€)
≤ 350.000	535
350.000 – 2.000.000	1.605
2.000.001 – 10.000.000	5.350
10.000.001 – 15.000.000	10.700
15.000.001 – 20.000.000	16.050
20.000.001 – 30.000.000	21.400
> 30.000.001	32.100

The “normal” NWT rate is in two thresholds depending on the total net assets of the Luxembourg companies:

- 0,5% of the total net assets up to € 500 million,
- € 2 500.000 (0,5% of € 500 million) plus 0,05% calculated on the taxable amount exceeding € 500 million.

Sustainability and competitiveness of Luxembourg by decreasing the CIT rate from 19% to 18%

2018 Tax overview

Possibility to reduce the “normal” NWT and the Minimum NWT under certain conditions.
Prior Minimum CIT considered as advances remains creditable against any future CIT charge due by the tax payer.

TAXABLE RESULT

The taxable basis is composed of the net profit or loss of the company

- Increased by non-deductible expenses, non-deductible taxes (CIT, MBT, etc.),
- Reduced by the exempt income (e.g. exempt dividend, exempt capital gain, etc.) and tax losses carried forward.

TAX LOSSES

- Prior tax losses should in principle be carried forward without any time limit,
- For losses realized as from the financial year 2017, losses remain carried forward for a maximum period of 17 years.

TAX CREDIT

- Additional tax credit on investments of 13%,
- Global tax credit on investments of 8% until EUR 150.000 and 2% on the remaining amount[1].

TAX RETURNS FILING DEADLINE

- Legal deadline: May 31st of the year following the year for which the return is filed,
- An extension to the deadline may be obtained on request,
- Tax returns for the year 2017 must be filed electronically via MyGuichet.lu.

PENALTIES

- No payment or late payment: interest charge of 0,6% / month;
- No filing or late filing of the tax return: up to 20% of the tax due and a maximum fine of € 25.000.

TAX ASSESSMENTS

Subsequent to the filing of the tax returns, the Luxembourg tax authorities issue a tax assessment indicating the tax amount due, which remains subject to a subsequent final review by the latter.

OTHER TAXES

Withholding tax on directors’ fees[2]

- Gross directors’ fees: 20%,
- Net directors' fees: 25%.

Withholding tax on dividends[2]: 15% on gross dividends, except if:

- Exemption based on the EU parent-subsidiary directive,
- Reduction/exemption based on the double tax treaty.

No withholding tax on royalties.
No withholding tax on interests.

[1] Tax credit on software licenses are allowed as from January 1st, 2018
[2] Withholding tax returns have to submitted to the tax authorities within 8 days as from the date the income is made available

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