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Luxembourg Newsflash - 25 April 2019

Luxembourg 2019 budget law introducing new tax measures passed

Amongst the set of new tax measures, the law provides for the reduction of the corporate income tax rate and the optional application of the new interest limitation rules at the level of fiscal groups.

Today the [budget law for 2019](#) ("**Law**") was passed by the Luxembourg Parliament.

Amongst the main tax measures¹, one can highlight the reduction of the maximum corporate income tax ("**CIT**") rate. In particular, the CIT rate for net profits exceeding EUR 200,000 is reduced from 18% to 17%. Accordingly, the aggregate rate of CIT, municipal business tax in the city of Luxembourg and the contribution to the employment fund will be reduced from the current 26.01% to 24.94%. The new measures also include the optional application of the interest limitation rules at the level of fiscal groups in line with article 4 of the Anti-Tax Avoidance Directive (ATAD)².

The Law will generally enter into force on the 1st May 2019. The reduction of the CIT rate will however apply as from the tax year 2019 and the optional application of the interest limitation rules at the level of fiscal groups will apply to financial years starting as from 1st January 2019.

The introduction of these new tax measures confirms the Luxembourg political will to pursue a continued stable fiscal policy whilst taking into account international developments. Our tax partners or your usual contact at Arendt & Medernach are of course at your disposal to further guide you through the new provisions.

¹ More details on the Law and its tax provisions [can be found here](#).

² Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market.

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