

Reduction of the Net Wealth Tax

Luxembourg resident corporations and Luxembourg Permanent Establishments (PE) could apply for the reduction of the Net Wealth Tax (NWT), in particular by creating a 5-year unavailable NWT reserve in their annual accounts.



Normal NWT and Minimum NWT

Luxembourg resident corporations (e.g. S.A., S.à r.I., S.C.A., etc.) as well as Luxembourg PE of nonresident entities are subject to a "Normal" NWT corresponding to 0.5% of their "unitary value". The latter is set on 1 January each year (based on the annual account of the previous year) and determined by the difference between the assets and the liabilities towards third parties, with some exemptions and adjustments.

Please note that Luxembourg resident corporations among other entities are also subject to a Minimum NWT, which is determined based on the last balance sheet of the previous year. The latter is reduced by the Corporate Income Tax (CIT) of the previous year.

Companies are then liable to the highest amount between the adjusted Minimum NWT and the Normal NWT. In case the Normal NWT is due, the latter could be reduced under conditions.



Conditions for the reduction of the Normal NWT

- The reduction of the Normal NWT (e.g. 2021) is limited to the CIT of the previous year (e.g. 2020) normally before deduction of the possible tax credits.
- ✓ The NWT due after reduction cannot be lower than the adjusted Minimum NWT of the year (e.g. 2021).
- ✓ An unavailable NWT reserve (corresponding to 5 times the Normal NWT reduced) has to be recorded in the annual accounts of the year (e.g. 2021) and has to be maintained during 5 years (e.g. until 1 January 2026 in case of calendar accounting years).
- ✓ The NWT reduction has to be requested in the corporate tax return of the previous year (e.g. 2020).

Grant Thornton Luxembourg can assist you to optimise the NWT position of your Company.



TAX TIPS

Practical aspects

 (\bigcirc)

The allocation to the 5-year reserve has normally to be decided by the Ordinary General Meeting (OGM) of shareholders (e.g. Normal NWT reduction for year 2021 has to be recorded in the annual accounts 2021 but should be decided by the OGM held in year 2021 approving the annual accounts 2020 and allocating the profit 2020).

If the OGM had already been held, a NWT reserve can still be allocated by the board of directors and/or an extraordinary general meeting of shareholders. However, such allocation to the NWT reserve has to be documented before the end of the year for which the reduction is requested (i.e. before 31 December 2021 for the reduction of NWT 2021, in case of calendar accounting years).

The NWT reserve can be funded either by the allocation of profit of the previous year, or, in case of insufficient profit, by the allocation of available reserves previously constituted.

For more information, please contact:



Jean-Nicolas Bourtembourg Partner, Head of Tax & Transfer Pricing E jean-nicolas.bourtembourg@lu.gt.com

© 2021 Grant Thornton Luxembourg. All rights reserved.



Jean-Michel Hamelle Partner, International Tax E jeanmichel.hamelle@lu.gt.com



Mélina Rondeux Partner, International Tax E melina.rondeux@lu.gt.com

Coran Thomform Teles to the body. An ingriss reserved. 'Grant Thomform' refers to the brand under which the Grant Thomton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thomton International Ltd (GTIL) and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms, GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Grant Thomton Luxembourg: committed to providing a highly professional services to their financial objectives, both business and personal. We have produced these "Tax Tips" as part of this service but it is

Therefore initial are not agents or, and on the obligate, one and the and are not able on the and the states of ontissions. Grant Thornton Luxembourg is committed to providing a highly professional service to help all of our clients meet their financial objectives, both business and personal. We have produced these "Tax Tips" as part of this service but it is intended only as a guide in highlighting general issues which may be of interest to our clients. It is not a substitute for full professional advice and specialist assistance should be sought in relation to any particular circumstances. Accordingly, no responsibility for loss occasioned to any person acting or refraining from acting as a result of any material in this publication can be accepted by Grant Thornton Luxembourg.