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TAX TIPS

# Reduction of the Net Wealth Tax

Luxembourg resident corporations and permanent establishments (PEs) can reduce their 2026 Net Wealth Tax (NWT) by setting up a five-year unavailable NWT reserve in their 2026 annual accounts.

## Normal NWT and Minimum NWT

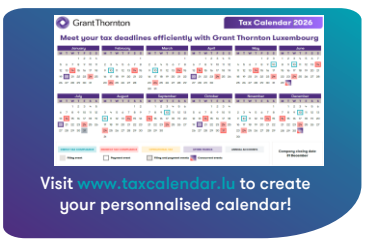
Luxembourg resident corporations (e.g. S.A., S.à r.l., S.C.A., etc.) as well as Luxembourg PEs of non-resident entities are subject to "Normal" NWT at a rate of 0.5% on their "unitary value". The unitary value is determined annually on 1 January, based on the previous year's annual accounts. It is calculated as the difference between total assets and liabilities, subject to specific exemptions and adjustments.

In addition, Luxembourg resident corporations, among other entities, are subject to a Minimum NWT, which is based on the last balance sheet of the previous year. The Minimum NWT is then reduced by the Corporate Income Tax (CIT) charge from the previous year.

Companies must pay the higher amount between the adjusted Minimum NWT and the Normal NWT. If the Normal NWT applies, it may be reduced under specific conditions.

## Conditions for the reduction of the Normal NWT

- The reduction of the Normal NWT (e.g., for 2026) is limited to the CIT from the previous year (e.g., 2025), before taking into account any available tax credits.
- The Normal NWT due after reduction cannot be lower than the adjusted Minimum NWT of the current year (e.g. 2026).
- An unavailable NWT reserve (equal to five times the reduced Normal NWT) must be recorded in the annual accounts for the current year (e.g., 2026) and maintained for five years (e.g., until 1 January 2031, for companies with a calendar year-end).
- The NWT reduction must be requested in the corporate tax return of the previous year (e.g. 2025).




## Practical aspects

The allocation to the unavailable NWT reserve typically requires approval from the ordinary general meeting (OGM) of shareholders. For example, the Normal NWT reduction for the year 2026 should be recorded in the 2026 annual accounts and approved by the OGM held in 2026, which also approves the 2025 annual accounts and allocates the 2025 profit.

If the OGM has already been held, the allocation to the NWT reserve can still be made by the board of directors and/or through an extraordinary general meeting of shareholders. However, this allocation must be documented before the end of the year for which the reduction is being requested (e.g., by 31 December 2026 for the 2026 NWT reduction, assuming a calendar year-end).

The NWT reserve can be funded either through the allocation of the previous year's profit or, if there is insufficient profit, by using available reserves that were previously constituted.

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