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TAX TIPS

Withholding Tax on Dividends

Luxembourg resident capital companies distributing dividends to their shareholder(s) must file a withholding tax (WHT) return within eight days from the date the dividend becomes available (even if no WHT is due).

Applicable WHT rate

Based on Article 146 Luxembourg Income Tax Law (LITL), normal and/or interim dividends paid by a Luxembourg capital company to its shareholder(s), whether in cash or in kind, are generally subject to a 15% WHT on the gross amount.

However, a tax exemption may apply under Article 147 LITL, provided certain conditions are met. In a nutshell, the dividend must be paid:

- by a fully taxable Luxembourg company (e.g. S.A., S.à r.l., S.C.A.);
- to a company located in a treaty country fully subject to a corporate income tax comparable to that of Luxembourg;
- and the beneficiary must (commit to) hold on the date the dividend is made available, a direct shareholding of at least 10% or an acquisition price of at least EUR 1.2 million, in the share capital of the distributing Luxembourg company for an uninterrupted period of at least twelve months.

Additionally, WHT may be reduced under the provisions of an applicable double tax treaty concluded by Luxembourg.

Deadlines for filing and payment

Based on Article 149 LITL, the distributing Luxembourg company must declare and pay the WHT to the Luxembourg tax authorities (LTA) within eight days from the date the dividend is made available to the shareholder(s).

Dividends are deemed to be made available to the beneficiary on the payment date set by the resolution of the general meeting of shareholders or of the board of directors/managers.

If no payment date is specified in the resolution approving the dividend distribution, the dividend is deemed to be made available to the beneficiary on the day following the decision to distribute a dividend.

Practical aspects

The WHT return (i.e. form 900) must be filed in paper format, electronic submission is not available.

The form must be signed in watermark ink and sent by post to the LTA.

We can handle this process on behalf of the company based on a proxy.

In practice, the WHT is paid by the Luxembourg distributing company to the LTA at the time of the dividend distribution.

If a dividend is distributed without applying the 15% WHT, the company may either pay 17.65% of the distributed amount to the LTA or request the shareholder(s) to reimburse the 15% WHT portion to settle the payment with the LTA.



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