

Luxembourg Tax Alert

Final withholding tax on savings income: Circular of the Luxembourg Tax Authorities published

28 February 2017

On 27 February 2017, the Luxembourg tax authorities (Administration des contributions directes) issued a new Tax Circular concerning final withholding tax on savings income.¹ This circular replaces the Circular Relibi n°1 dated 4 February 2009² and seeks to clarify the interaction between the law of the 23 December 2005³ (hereinafter the “**Relibi Law**”) following the Luxembourg 2017 tax reform introducing a new withholding tax rate amounting to 20 percent.

Historical considerations

As a reminder, the Relibi Law, modelled on the transposing law dated 21 June 2005,⁴ has been modified several times in order to align its dispositions to the Luxembourg Income Tax Law (hereinafter the “**LITL**”):

- A law dated 17 July 2008⁵ (hereinafter the “**Relibi-bis law**”) has particularly extended the application scope to paying agents that are established outside of Luxembourg. This is the optional regime by which the taxpayer who receive interests from a paying agent situated in an EU Member State or in a State of the European Economic Area (EEA) can opt to decide that the withholding on savings income is his final liability.
- In December 2008,⁶ income received from home loan and saving institutions has been removed from the application scope.
- In 2014 and 2016,⁷ there have been modifications particularly following the abrogation of the transposing law 21 June 2005 of the Directive 2003/48/CE on taxation of savings income on the form of interest.

¹ Circular Relibi n°1 24 February 2017,

http://www.impotsdirects.public.lu/content/dam/acd/fr/legislation/legi17/Relibi_1_27022017.pdf

² http://www.impotsdirects.public.lu/content/dam/acd/fr/legislation/legi09/Circulaire_Relibi_no_1_du_4_f_vrier_2009.pdf

³ Relibi Law dated 23 December 2005, introducing the final withholding tax on savings income, Mem. A, 2005, n°214, 28 December 2005, p.3366 to 3368.

⁴ Law of 21 June 2006 transposes the Directive 2003/48/CE on taxation of savings income in the form of interest payments.

⁵ Relibi-bis law dated 17 July 2008, Mém. A. 2008, n°107, 25 July 2008.

⁶ Law dated 19 December 2008, Mém. A., n°198, 23 December 2008, p. 2622.

⁷ Law dated 25 November 2014, Mém. A. 2014, n°214, 27 November 2014, p. 4169, and law dated 23 July 2016, Mém. A. 2016, n°139, 28 July 2016, p. 2363.

The Tax Circular

In this context, the circular published on 27 February 2017 seeks to further complete the Relibi Law content following the Luxembourg 2017 tax reform.

The circular essentially recalls what the modified Circular Relibi n° 1 stated. The following points remain largely unchanged:

- Final withholding tax principle, Article 1
- Effective beneficiary definition, Article 2
- Paying agent definition, Article 3
- Savings income under the scope, Article 4
- Exemption, Article 5
- Levy methods, Article 6 and 6bis

The withholding tax rate, now 20 percent, is newly modified according to the Article 6.

Your contacts

Raymond Krawczykowski

Partner | Tax Leader

Tel: +352 45145 2500

rkrawczykowski@deloitte.lu

Pierre-Jean Estagerie

Partner | Global Employer Services

Tel: +352 45145 4940

pjestagerie@deloitte.lu

Eric Centi

Partner | Deloitte Solutions

Tel: +352 45145 2162

ecenti@deloitte.lu

Nenad Ilic, CFA

Director | Global Financial Services

Tel : +352 45145 2046

neilic@deloitte.lu

Xavier Martinez-Aldariz

Director | Global Employer Services

Tel : +352 45145 2132

smartinezaldariz@deloitte.lu

Deloitte Luxembourg

560, rue de Neudorf

L-2220 Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

www.deloitte.lu

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