

FINANCE

New investment tax credit: what's in it for you

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To support Luxembourg companies' green and digital transitions, Luxembourg has reformed its investment tax credit (ITC) regime. Its flagship feature—a new 18% rate for investments and expenses in digital transformation and

green transition—is sure to appeal to innovative businesses.

Two cornerstones of this modernization

The government has revamped Luxembourg's investment tax credit (ITC) regime in two main ways, which apply from January 2024:

- The existing tax credit has been simplified, with an increase of the rate for overall investments from 8% to 12%, regardless of the amount invested; and
- A new ITC has been introduced for digital and green projects, with an 18% rate for investments and operational expenses.

Better benefits for digital and green projects

Companies' projects could benefit from the new ITC insofar as they meet criteria of one of the new key concepts - digital transformation or ecological and energy transition.

Digital transformation is defined as achieving an innovative process or an organizational innovation through digital technologies, ultimately improving the productivity, energy or material efficiency of the entire company or a significant part.

Ecological and energy transition is any technical or equipment change that reduces the company's environmental impact, spanning from energy production or consumption to the use of resources.

What makes the new ITC particularly attractive is that it targets investments and most importantly the operational expenses of eligible projects, such as staff and training costs or expenditure on advisory.



Assessing whether a project is sufficiently innovative and holistic to qualify for the new ITC requires a comprehensive understanding of the tax regime and adequate technical knowledge of the taxpayer's sector. Practical experience with first applications will help clarify how the competent authorities interpret this new regime.

The procedure for the new ITC in two steps

To benefit from the new digital and green ITC, a two-step procedure has been set up.

First, the taxpayer requests an attestation of the eligibility of their project from the Ministry of Economy. This process is expected to take three months. While the project may have already been launched, only investments and expenses incurred after the request is submitted are eligible for the new ITC.

Second, after the end of each financial year, the Ministry of Economy confirms the incurred investments and expenses are legitimate by issuing an authenticity certificate for the corporate tax return.



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A valuable opportunity for companies

Deloitte's team of specialists can help you leverage these new rules and procedures, making sure you get the most out of your digital and green investments and expenses. To find out how your company can benefit from this incentive, [click here](#) and get in touch.

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