

Bridging tax and regulation:

How Luxembourg is reshaping oversight of financial institutions

Luxembourg continues to stand out as a leading financial center and a premier European hub for regulated entities, supported by a flourishing financial ecosystem. In 2025 alone, Luxembourg financial supervisory authorities authorized more than 50 entities across banking, asset management, payment institutions, insurance, and digital finance.⁽¹⁾

At the same time, a rapidly evolving regulatory landscape and complex compliance requirements are reshaping industry dynamics. Operating models are shifting, and regulatory, tax and transfer pricing aspects are becoming increasingly interconnected.

The adoption of Law 8186A on 11 December 2024 is a notable development in this context. It introduced enhanced mechanisms for inter-administrative cooperation and information exchange between the Luxembourg tax authorities (LTA), the Commission de Surveillance du Secteur Financier (CSSF) and the Commissariat aux Assurances (CAA). This framework strengthens the ability of these bodies to share and review information effectively.

Transfer pricing and regulatory compliance: Growing areas of overlap

Transfer pricing considerations arise when parties to a transaction are deemed to be related.⁽²⁾ In these cases, the conditions and remuneration of intragroup transactions should reflect those that would have been set between unrelated parties in comparable circumstances. This aligns with the arm's length principle set out in Article 56 and 56bis of the Luxembourg Income Tax Law.

Across Europe, scrutiny of related-party transactions and intragroup arrangements has intensified. In Luxembourg, this trend is evident through an increased focus on the financial services sector, with authorities using targeted information requests and tax audits to assess regulated entities' transfer pricing positions. This has driven firms to adopt a more integrated approach to governance, risk management, and alignment between their operational and transfer pricing models. Historically, regulated entities primarily faced tax scrutiny from tax authorities.

However, financial regulators have recently incorporated tax considerations into their supervisory duties, viewing tax compliance as an indicator of sound management and governance.

Key developments highlight this shift:

- Circular 20/744, on the fight against money laundering and terrorist financing, identifies transfer pricing non-compliance as a potential indicator of aggravated tax fraud for investment fund managers;
- Circular 22/806 on outsourcing arrangements requires these services to be set at arm's length; and
- The 2022 CSSF Feedback Report emphasizes the importance of evaluating whether all fees are charged at arm's length.

Earlier this year, the CSSF issued Circular 26/906 on central administration, internal governance and risk management for payment institutions and electronic money institutions. This guidance reinforces the overlap between regulatory oversight and tax and transfer pricing frameworks:

- Transactions with related parties must be objective, in the best interest of the institution, and be conducted at market conditions;
- Transactions with related parties must be submitted to the supervisory body for approval if they could have a significant and unfavorable influence on the institution's risk profile; and
- Any material changes to significant related-party transactions must be reported to the supervisory body without delay.

This evolving guidance demonstrates an increasing convergence between governance requirements and transfer pricing considerations, reinforcing the need for transparency, compliance, and robust oversight in managing intragroup arrangements.

While information exchange has already occurred in some cases, Law 8186A reinforces collaboration between the LTA, the CSSF and the CAA, and is expected to heighten their scrutiny of the financial services sector.

What taxpayers can expect

In Luxembourg, taxpayers must demonstrate the arm's length nature of their related-party transactions with transfer pricing documentation when filing a tax return, a requirement established under Article 171 Abgabenordnung. While Luxembourg does not require the upfront submission of documentation, taxpayers must be prepared to provide it upon request. The LTA typically requires this information within a relatively short timeframe, often two to four weeks.

For domestic and cross-border intragroup transactions, these requests often extend beyond standard documentation. Taxpayers are also expected to submit legal agreements, board minutes, and supporting information to reconcile transfer pricing methodologies with figures reported in tax returns.

Regulators are also increasingly requesting transfer pricing documentation during on-site inspections to assess formal compliance with tax obligations. The number of these requests is rising, including from other European regulators, driven by the growing complexity of operating models like delegation structures, top-up licenses and business restructurings.

Under Law 8186A, information submitted to the LTA may now also be shared with the CSSF or the CAA to support their respective supervisory functions and ensure consistency with regulatory filing positions. Conversely, these regulatory bodies may also share information with the LTA to assess the sufficiency of transfer pricing models, documentation and compliance with the arm's length principle. This data sharing must be relevant and necessary to each authority's mandate.

The enhanced collaboration places greater responsibility on taxpayers. Information prepared for different purposes—whether tax or regulatory—must be consistently aligned, up to date, and readily available for submission to the relevant authorities.

How taxpayers can prepare

Tax authorities are increasingly moving beyond formal compliance checks to place more emphasis on the substantive aspects. In particular, they are scrutinizing the appropriateness of transfer pricing methods, benchmarking approaches and the reliability of

selected comparables. While most regulated players have documentation in place, it is not always fully up to date or aligned with current operating models. Although Luxembourg does not impose a specific format or update frequency regarding transfer pricing documentation, annual updates are highly advisable—particularly for regulated entities—to ensure consistency with regulatory disclosures.

To comply with both tax requirements and regulatory expectations, regulated entities are expected to be more proactive and diligent in preparing and maintaining their transfer pricing documentation. Key actions include:

- Preparing and updating transfer pricing policies and documentation regularly to reflect current functions, roles and responsibilities, and to demonstrate the arm's length pricing of intragroup transactions, both domestic and cross-border;
- Supporting all intragroup transactions with up-to-date legal agreements that are consistent with transfer pricing documentation;
- Reflecting operating model changes in the transfer pricing framework, policies and documentation, such as outsourcing arrangements or relocation of functions, risks and assets;
- Demonstrating that all intragroup transactions adhere to the arm's length principle;
- Integrating tax and transfer pricing considerations into the corporate governance framework; and
- Maintaining comprehensive supporting materials, including board meeting minutes and tax return reconciliations, to substantiate transfer pricing practices.

These steps support compliance and strengthen governance, transparency, and risk management across the organization.

Conclusion

The adoption of Law 8186A confirms that regulatory, tax, and transfer pricing aspects are becoming increasingly interconnected and complex. Taxpayers should address these obligations holistically and establish a robust governance framework. Ensuring that documentation is kept up to date and readily available is essential to help avoid regulatory and tax consequences.

Enrique MARCHESI-HERCE,
Partner, Deloitte Luxembourg

Ines TEIXEIRA,
Senior Manager, Deloitte Luxembourg

1) Luxembourg for Finance, Luxembourg Financial Centre Records Strong Growth Across Sectors in 2025, 26 March 2026.

2) Article 56 Luxembourg Income Tax Law: two enterprises are considered related enterprises where one of them participates directly or indirectly in the management, control, or capital of the other or if the same persons participate directly or indirectly in the management, control, or capital of both enterprises.

Le Luxembourg renforce ses liens économiques avec le Maroc

Du 4 au 7 mai 2026, Lex Delles a effectué une mission économique officielle au Maroc. Organisée par la Chambre de commerce du Luxembourg, en collaboration avec plusieurs partenaires institutionnels luxembourgeois et marocains, cette mission avait pour objectif de renforcer la coopération bilatérale et de développer de nouvelles opportunités d'affaires dans des secteurs stratégiques. La délégation conduite par le ministre réunissait 40 participants, dont 22 entreprises luxembourgeoises et 5 institutions.

Dans un contexte de forte dynamique économique au Maroc, marqué par l'accélération des investissements publics et privés, cette mission s'inscrivait dans une volonté commune de consolider les relations économiques entre les deux pays.

Le Maroc poursuit notamment des investissements majeurs dans les infrastructures, les télécommunications, l'industrie et les technologies de pointe, tout en affirmant son rôle d'acteur majeur des énergies renouvelables en Afrique, notamment dans le solaire, l'éolien et l'hydrogène vert.

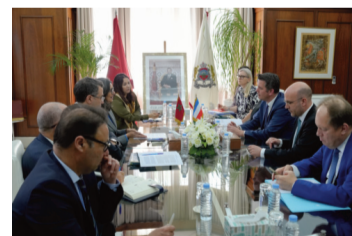
La mission a ainsi permis de renforcer les liens entre acteurs économiques luxembourgeois et marocains dans plusieurs domaines clés, dont les énergies renouvelables, l'ingénierie, la cybersécurité, les technologies industrielles, la logistique, le spatial et la finance verte.

Au cours de la visite, Lex Delles s'est entretenu avec Ryad Mezzour afin d'échanger sur les perspectives de coopération économique entre le Luxembourg et le Maroc, notamment dans les secteurs des énergies renouvelables, de la logistique et du spatial.



Une rencontre avec Nadia Fettah Alaoui a également permis de confirmer la volonté des deux pays de renforcer les partenariats dans la finance durable, les investissements et les secteurs innovants.

La délégation a également visité Université Mohammed VI Polytechnique, reconnue pour son



modèle axé sur la recherche, l'innovation et les synergies entre le monde académique et l'industrie. Cette visite a notamment permis de mettre en avant l'accord d'échange signé en février 2026 avec Université du Luxembourg afin de renforcer la mobilité académique et les collaborations scientifiques entre les deux pays.

Les participants ont aussi rencontré les représentants du Groupement des Industries Marocaines Aéronautiques et Spatiales, qui fédère environ 150 entreprises du secteur aéronautique et spatial marocain. Les échanges ont porté sur les possibilités de coopération avec le Luxembourg dans le domaine spatial.

Enfin, la mission comprenait une visite à Casablanca Finance City Authority, déjà partenaire de Luxembourg for Finance, afin d'explorer de nouvelles pistes de collaboration dans la finance et l'investissement.

Forum économique et networking

Plusieurs rencontres avec le secteur privé marocain ont eu lieu, notamment avec Chakib Alj ainsi qu'avec les membres de la Chambre de Commerce belgo-luxembourgeoise au Maroc.

Un Forum économique Maroc-Luxembourg a également réuni représentants institutionnels et entreprises autour de présentations et d'échanges sectoriels.

Un business breakfast a par ailleurs été organisé avec 12 entreprises marocaines innovantes actives dans la fintech, la healthtech, l'intelligence artificielle, l'énergie, le climat ou encore le spatial. Sélectionnées par le Luxembourg Trade and Investment Office de Casablanca, elles participeront au salon NEXUS 2026 prévu en juin 2026 au Luxembourg.

À l'issue de la mission, Lex Delles a souligné le rôle stratégique du Maroc comme hub vers l'Afrique et celui du Luxembourg comme porte d'entrée vers l'Europe, tout en saluant les perspectives de coopération dans les infrastructures, les énergies renouvelables, l'innovation et la finance durable.

Source : ministère de l'Économie