

Luxembourg Budget 2027: more than a tax update?

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Lower taxation, renewed incentives and changes affecting businesses, investors and individuals: Luxembourg's 2027 draft law sends a number of signals about the direction of the country's tax environment.

For businesses, investors and individuals alike, the question is simple: **what could these changes mean for you?**

Below are some of the developments that deserve a closer look.

1. Competitiveness: is Luxembourg sharpening its edge?

While recent years have seen a strong focus on attracting and retaining talent, the 2027 Budget draft law suggests a broader ambition: strengthening Luxembourg's attractiveness not only for individuals, but also for businesses and investors.

Three developments notably stand out for businesses:

- Decrease of the CIT rate from 16% to 15% with lower rate to 13%;
- Increasing rate for investment tax credit;
- Deletion of the time limit for tax losses carried funds.

Taken individually, these measures may appear relatively straightforward. **Taken together, these measures could strengthen Luxembourg's position as a location for investment, growth and future transactions.**

Beyond the measures: **Could these measures change where you invest, grow or structure your business?**

2. Individuals: more than just investor-focused measures?

Businesses are not the only ones concerned. The draft law also brings developments relevant for individuals, notably the following ones:

- Simplification of the process for the profit-sharing bonus, and impatriate tax regime;
- Increase of the threshold holding period from 6 months to 12 months for taxation of carried interest and speculative gains;
- Adjustment of the personal income tax backets;
- Extension of some tax credits (e.g., alternating custody situation)

The proposed changes are not limited to investors. They could also affect Luxembourg's workforce and households more broadly. These changes are the first step towards a broader tax reform planned for individuals as from 2028 which was recently voted.

Beyond the measures: **Could these changes affect you more than you think?**

3. Real estate: could opportunities be re-emerging?

Real estate also remains firmly on the government's agenda and related measures have been designed accordingly to tackle the current real estate market situation and relaunch its attractivity.

One of the key measures is notably **the increase of the accelerated depreciation regime of 6% for qualifying rental housing below a EUR 600,000 threshold**.

Sometimes, a single measure is enough to make investors look at a project differently.

Beyond the measures: **Could the proposed incentives reshape your investment plans?**

The measures are new. The opportunities may be yours.

The 2027 Budget draft law introduces a range of changes, but their significance will depend on your circumstances, your objectives and your next move.

Whether you are assessing an investment, planning a transaction, reviewing a remuneration strategy or simply exploring new opportunities, one question remains:

The real challenge is no longer understanding the rules. It is understanding what they could make possible and whether these rules could change your next move.

Our Luxembourg Tax team would be pleased to discuss what the 2027 Budget proposals could mean for you.

Let's start the conversation.

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