Luxembourg Tax News - Issue 2015-19 – August 2015

Tax Treaty Update

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Over the last years, Luxembourg has been very active in negotiating bilateral tax treaties with several countries. There are currently 76 tax treaties in force entered into by Luxembourg and 29 treaties under negotiation. Tax treaties can be the legal framework not only for the avoidance of double taxation and fiscal evasion, but also for international administrative cooperation between Luxembourg and its treaty partners in terms of mutual assistance and procedures, as well as in terms of exchange of information.

On 9 June 2015, the Luxembourg Minister of Finance submitted to the Parliament a bill of law on the ratification of four new double tax treaties concluded with Singapore, Andorra, Croatia and Estonia, and on six protocols amending existing tax treaties with Mauritius, Ireland, Lithuania, Tunisia, France and the United Arab Emirates. In general, these tax treaties and protocols follow the OECD Model Convention.

Except for the protocol amending the tax treaty with France, the protocols were concluded in order to bring the articles on exchange of information in line with OECD standards. The protocol to the France-Luxembourg tax treaty changes the rules applicable to the taxation of capital gains realized upon the sale of shares or other rights in real estate companies and allocates the right to tax these gains to the country where the real estate is located ("*situs principle*"). For more information on this subject reference is made to our KPMG Newsletter of 9 September 2014 (Luxembourg Tax News 2014-17)

The new double tax treaties

- Singapore – Luxembourg (replacing the 1993 tax treaty)
- Andorra – Luxembourg
- Croatia – Luxembourg
- Estonia – Luxembourg (replacing the 2006 tax treaty)
- United Arab Emirates (UAE) – Luxembourg (Protocol)

Conclusion

Luxembourg is constantly expanding and improving its treaty network. By doing so, it is creating and enhancing bilateral economic relationships with other countries. In addition, Luxembourg is not only a strong location for establishing business, but it is also striving to stay in line with internationally agreed standards, such as the OECD Model Convention. The policy of Luxembourg to negotiate access to tax treaty protection for investment funds defined as UCIs is remarkable.

For further information, please do not hesitate to contact us.

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