

## Luxembourg – Qatar double tax treaty is now in force dated 22 June 2010

Luxembourg Parliament recently voted the first Double Tax Treaty (DTT) between Luxembourg and Qatar (see law dated 31 March 2010 and published in the Luxembourg Gazette on 6 April 2010).

The ratification process having finally being completed by both countries, the DTT entered into force on 9 April 2010.

The provisions of the DTT, signed on 3 July 2009, are generally effective as from 1 January 2011.

The treaty introduces an attractive regime for dividend distributions, providing for the following reduced withholding tax rates:

- 0% on dividends distributed to a company holding directly at least 10% of the share capital of the distributing company;
- 5% where a 10% direct participation is held by an individual who has resided in the relevant state for a period of at least 48 months preceding the year in which the distribution is made; and
- 10% in all other cases.

Interest may be taxed only in the state of residence (i.e. no withholding tax in the source state).

Royalties may be subject to withholding tax in the source state; however, the withholding tax rate may not exceed 5%.

The treaty with Luxembourg further extends Qatar's European tax treaty network, facilitating investments and planning opportunities between the two countries. Luxembourg is a recognised gateway to the European markets, with a network of over 55 treaties to which Qatari investors have now indirect access.

**The introduction of the treaty, combined with Luxembourg's advantageous and flexible domestic regime, makes Luxembourg a hub for Qatari investors looking to invest in European assets. The Convention also offers interesting planning opportunities for Luxembourg-based investors willing to invest in Qatar (e.g., under the double tax treaty, Qatari withholding tax on interest can be brought down from 7% to 0%).**

**PwC Luxembourg, working hand-in-hand with PwC Qatar, will be pleased to assist you in exploring tax planning opportunities with Qatar.**

## Contacts

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