Tax Barometer for Asset Managers

September 2025

Your tax agenda

As an Asset Manager your tax function is KEY

The tax agenda is constantly evolving. Oversight and controls are key and have to be embedded into your daily activities.

Your tax agenda has to be drafted for the year to come to properly assess the impacts of new legislations on the investors, the funds or the inter-company transactions.

01 Personal tax and rewards to attract people in Luxembourg

- **Draft law on taxation of carried interest (expected for 1st January 2026)**:distinguishes between 2 types of carried interest: NEW
  - Contractual carry: taxable at ¼ of the global individual income tax rate (max. 11.45%);
  - Investment-linked carry: capital gains tax treatment at exit i.e. no taxation if holding period > 6 months and no substantial shareholding (other conditions apply).
- **Attracting and retaining talents with an optimal compensation package**: revised special tax regime for impatriates (50% exemption of salaries for 8 years), profit-sharing premiums raised: Companies can distribute up to 7.5% of prior-year after-tax net result to employee (max 30% of the employee's annual gross fixed salary). long term incentives (MIP) for retention and reward.
- **Board members** - Qualification of the income and tax treatment, including withholding tax and filing obligations for the company. Consider social security aspects.
- **Equal Pay and Salary Transparency Directive** - Enforces equal pay for equal work, introducing pay transparency and prohibiting inquiries about applicants' pay history. Anticipate the Directive's requirements. Luxembourg must transpose the Directive by 7 June 2026.

02 2025 corporate and product tax reforms

- **Reduction** of the CIT rate from 17% to 16%, lowering the aggregate rate in Luxembourg City from **24.94% to 23.87%**.
- Simplification of the **minimum NWT regime**.
- Mandatory electronic filing for withholding tax returns on director's fees.
- Introduction of an **exemption from subscription tax for UCITS ETF**.
- Dedicated guidance of the interpretation of the Collective Investment Vehicle carve-out of the reverse hybrid rules (ATAD 2). NEW

03 Investment tax credit for the digital transformation and ecological transition

- This specific investment tax credit is applicable since 2024 and aims at supporting Luxembourg companies in their digital and ecological/energetic transformation.
- **18% tax credit** on certain tangible depreciable assets and operating expenses connected to such transformation. Eligible investments and expenses are those made / incurred after the filing of the Eligibility Attestation request.
- Application process based on an Eligibility Attestation and a Compliance Certificate.

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04 DAC 8, CARF and CRS – Expanding Transparency NEW

- From 1 January 2026, **new due diligence, registration, and reporting obligations** apply to crypto-asset service providers, e-money institutions, and traditional financial institutions.
- Luxembourg's implementation of DAC 8 aligns with the OECD's Crypto-Asset Reporting Framework (CARF) and reinforces CRS.
- For Luxembourg funds and their asset managers, the key change is not crypto, but the enhanced due diligence, reporting obligations, and data granularity required under CRS 2.0.
- Early preparation is crucial: systems, processes, and internal governance must be adapted to handle reporting requirements.

05 Transfer pricing

- Asset management firms face challenges in **valuing intellectual property** for transfer pricing purposes. Allocating management fees among subsidiaries and affiliates requires careful consideration of the arm's length principle.
- Developing a **comprehensive transfer pricing policy** and maintaining detailed documentation are essential, together with ensuring consistent implementation.
- Documentation requirements not only apply to asset managers but also to GPs and Fund structures.
- **Substance and governance** considerations.
- Arm's length remunerations (including for delegated functions) to be assessed based on **local benchmarking** studies.
- Asset managers should properly assess possible TP risks and TP implications that may be associated with **business reorganisation** that led to changes in the target operating models and relocation of functions, risks and assets.

06 VAT

- **Interactions between VAT and TP** – A recent CJEU case issued on 4th September 2025 (Arcomet C-726/23) reconfirmed the close links between TP and VAT. Any update in the existing TP documentation should be reviewed from a VAT angle to avoid unanticipated VAT leakage and reconsider the application of VAT exemptions.
- **Directors' fees -** VAT should no longer apply on directors' fees. If not done yet, adjustments could still be contemplated with associated refunds.
- Increase of **audits on EU cross-border transactions** and systematic request for reconciliation between VAT returns and annual accounts. Is your documentation ready? Are your internal processes robust enough to anticipate such requests?
- Recent judgment from the CJEU in relation to the **fund management VAT exemption and inclusion of some pension funds**. Did you consider the potential impacts at your level? Did you explore whether some (delegated) services currently subject to VAT may benefit from the VAT exemption?
- Recent changes in the fund management VAT exemption in Germany and in Switzerland. Could they impact you in those countries and indirectly in Luxembourg?

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07 Pillar 2 – Still a priority

- Pillar 2 rules (Income Inclusion Rule and Qualified Domestic Minimum Top-up Tax) are now live, with the first compliance obligations hitting in 2025/26.
- **Mancos and consolidated Collective Investment Funds are fully in scope** and should analyse their group position and **impact analysis must be documented**.
- Appropriate **disclosures** (qualitative and quantitative) in the 2025 annual accounts must be done!
- **Pillar 2 tax compliance strategy must be defined given the first reporting deadline to come on 30 June 2026.**
- DAC9: Draft law introduces a structured legal basis for the automatic exchange of GloBE Information Returns (GIRs) filed in Luxembourg.

08 Increased tax scrutiny by the CSSF and the tax authorities

- Luxembourg has reinforced the **tax governance** requirements with the CSSF circulars relating to AML and tax crimes (i.e., Circulars 17/650 and 20/744). Dedicated on-site visits are still ongoing.
- A robust tax governance considering the indicators mentioned in the above-mentioned circulars must be in place to ensure a proper (AML) tax risk assessment and must include risk mitigation measures proportionate to (AML) tax risk exposure.
- The tax reform voted on 11 December 2024 introduces a **reinforced cooperation** between the Luxembourg tax authorities and the CSSF (and CAA) to exchange information on taxpayers.
- **Subscription tax** exemptions or reductions have been created or enlarged over the years but are all conditional and so creating a **challenging compliance landscape**. While AED is performing in-depth subscription tax audits, asset managers are more than ever at risk and must reinforce their documentation and internal controls to withstand scrutiny.
- Increased focus on Transfer Pricing by Luxembourg tax authorities and regulators, i.e. CSSF, including **more frequent audits**.
- Do not forget to assess the corporate tax aspects of your **home-based working** policy notably regarding **permanent establishment risk** that varies from a country to another.

09 Your investors want more...

- Investors are more and more performing due diligence on their asset managers to ensure that the right and fair amount of tax has been paid. To respond to this request, **you must oversee your portfolio taxation** and ensure that controls and procedures are in place to monitor your tax risk exposure, to optimise your portfolio's return (especially considering the coming FASTER directive) and demonstrate your tax diligence and policy vis-à-vis your investors, auditors, tax authorities and regulators.
- Retailisation of funds: institutional strategies being opened to retail investors, creating new tax and reporting expectations. ELTIF and more broadly alternative asset managers need to anticipate and **accommodate investors' requirements for tax and regulatory reporting** that are common market practice in the retail world. Offering this reporting gives a competitive advantage to the product; retail (and more and more professional) investors expecting to receive necessary information enabling them to benefit from the potential attractive tax rules in their home country.

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