LUXEMBOURG TAX | CARRIED INTEREST · FUNDS · PERSONAL INCOME TAX · PRIVATE EQUITY

Luxembourg's new carried interest regime: taxed at about 11.5% from 2026

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A law of 3 February 2026 modernises the carried interest regime from tax year 2026. Contractual carried interest is taxed at about 11.5%, and more fund professionals qualify.

Country reference

- Country: Luxembourg (planned expansion country)
- Authorities: Administration des contributions directes (ACD); Ministry of Finance
- Topic: Tax treatment of carried interest
- Key date: Law of 3 February 2026; applies from tax year 2026
- Law: Law of 3 February 2026 amending the Income Tax Law (L.I.R.) and the AIFM Law of 12 July 2013

What changed

- The Chamber of Deputies adopted the reform on 22 January 2026 and the law was enacted on 3 February 2026, published in the Mémorial on 4 February 2026.
- It applies from the 2026 tax year.
- Beneficiaries now include individuals involved in managing alternative investment funds more broadly.
- The law speaks of outperformance rather than capital gains.

How carried interest is taxed

- Contractual carried interest: taxed at about 11.5%, a regime that replaces a former transitional rule and is now permanent, according to KPMG.
- Carried interest through fund units or shares: taxed by reference to holding periods, as for other participations.

Why it matters

- Luxembourg competes with Ireland, the Netherlands and the UK to host fund management teams.
- Luxembourg also has a separate tax regime for qualifying highly skilled workers moving to the country.
- The rules sit alongside the AIFMD II changes in force since April 2026.

What to do now

- Fund sponsors: review carry plans and documentation against the new conditions.
- Individuals: confirm residence, holding periods and how carry is paid.
- Take advice on interaction with tax treaties for non-resident team members.

Our take

A clear rate around 11.5% gives certainty that managers wanted. For Gulf sovereign and family capital partnering with Luxembourg managers, it supports team stability in European funds.

Sources

- Legilux: Law of 3 February 2026 amending the L.I.R. and the AIFM Law
- KPMG: Luxembourg new carried interest tax regime enacted (March 2026)
- ACD: Legislation 2026

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