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Luxembourg corporate tax key facts: 23.87% combined rate in Luxembourg City

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Luxembourg companies pay corporate income tax of 16%, a 7% solidarity surcharge on that tax and municipal business tax, for a combined 23.87% in Luxembourg City. Budget 2027 proposes a further cut.

Country reference

- Country: Luxembourg (planned expansion country)
- Authorities: Administration des contributions directes (ACD); Ministry of Finance
- Topic: Corporate income tax, solidarity surcharge and municipal business tax
- Key date: Current rates since tax year 2025; further cut proposed for 2027
- Law: Income Tax Law (L.I.R.); Municipal Business Tax Law

Rates

- Corporate income tax: 14% on taxable income up to EUR 175,000; a transition band up to EUR 200,000; 16% above EUR 200,000.
- Solidarity surcharge: 7% of the corporate income tax, giving 17.12% at the top rate.
- Municipal business tax: 6.75% in Luxembourg City; rates vary by municipality.
- Combined: 23.87% in Luxembourg City for income above EUR 200,000.

Other company taxes

- Net wealth tax at 0.5% of net assets up to EUR 500 million, and 0.05% above, with a minimum charge.
- Withholding tax of 15% on dividends, with broad exemptions under the participation regime and treaties.
- No withholding tax on arm's length interest in most cases.

Participation exemption

Dividends and capital gains from qualifying shareholdings can be exempt when holding and ownership thresholds are met. The 2027 draft budget proposes a 12-month holding period for the capital gains exemption, according to press reports.

2027 proposals

- Standard corporate rate from 16% to 15%; reduced rate from 14% to 13%.
- Investment tax credit for digital and green investments from 18% to 21%.
- Removal of the 17-year limit on loss carry-forwards, according to press reports.

What to do now

- Check the municipality of each entity: the business tax rate depends on it.
- Review participation exemption conditions for dividends and planned share sales.
- Model 2027 using the proposed rates once the budget law is voted.

Our take

Luxembourg's headline rate is mid-range in Europe, but its holding regime and treaty network make it a common hub for Gulf investment into Europe. Substance and Pillar Two now matter as much as rates.

Sources

- PwC Worldwide Tax Summaries: Luxembourg, taxes on corporate income
- PwC Worldwide Tax Summaries: Luxembourg, other taxes
- Government of Luxembourg: 2027 State budget (7 October 2026)

Important. This summary is for general information and is not tax, legal or financial advice. It is based on public Government of Luxembourg publications, together with adviser commentary, and may be incomplete or out of date. The official legislation and guidance prevail; check the official text before acting.

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