

Luxembourg ratifies new France-Luxembourg double tax treaty



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Today, the draft law ratifying the double tax treaty ("DTT") signed with France on 20 March 2018 was passed by the Luxembourg Parliament (first parliamentary reading). A dispensation from a second parliamentary reading is expected to be granted by the State Council in the coming days or weeks so that the draft law can become law immediately and the instruments of ratification be subsequently exchanged with France.

Since the ratification procedure has already been finalised in France and is about to be finalised in Luxembourg, the DTT will take effect as follows:

- in respect to taxes withheld at source, the new provisions will apply to income derived on or after 1 January 2020; and
- in respect to other taxes on income and taxes on capital, the new provisions will apply to taxes chargeable for any tax year beginning on or after 1 January 2020.

The aim of the new DTT is to replace the existing treaty that was signed in 1958 and amended 4 times in subsequent years. The DTT follows the structure and, for the most part, the content of the 2017 OECD Model Tax Convention. To get an overview of the main provisions of the DTT, which will, in particular, give rise to important changes regarding the taxation of real estate investments made by Luxembourg companies through dedicated French investment vehicles, please read our 16 November 2018 tax alert: <https://www.atoz.lu/media/luxembourg-and-france-launch-ratification-procedure-their-new-tax-treaty>

Now that timing for the application of the new provisions has become clear, Luxembourg taxpayers with investments in France or that plan to invest in France should seek advice from their tax adviser in order to analyse the potential impact of the new provisions on their investments and take action if necessary.