

## Draft law proposes to reintroduce favourable tax regime on capital gains on private land and dwellings



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On 23 October 2019, the Luxembourgish Parliament (“Chambre de Députés”) published a draft law reintroducing the favourable tax relief regime for capital gains on the sale of private land or dwellings (Bill n° 7486).

This measure was first introduced in 2002 in order to stimulate the private housing market in Luxembourg and was extended several times until 31 December 2018. In a nutshell, the draft, amending the Luxembourg Income Tax Law of 1967, provides that capital gains realised on the sale of private land or dwellings would be treated as extraordinary income and taxed at 25% of the taxpayer’s global tax rate.

In order to benefit from this regime, two conditions must be fulfilled:

The land or dwellings must have previously been part of the individual’s private assets/wealth; The land or dwellings must have been owned by the individual for at least two years (if sold within less than two years after its date of acquisition, any capital gain realised will be taxed as a “speculative profit” at the taxpayer’s full global rate (i.e. 42% max)).

If adopted, the regime would apply as of 1 January 2020 and be valid for a period of three tax years until 31 December 2022. Capital gains realised during the 2019 tax year would continue to be taxed at half the global tax rate (i.e. max 21%).