

Luxembourg Budget 2020: Limitation of validity period of advanced tax agreements



The draft 2020 Luxembourg budget includes a proposal limiting the validity of advanced tax agreements issued before 1 January 2015.

On 14 October 2019, draft law n° 7500 containing the 2020 Luxembourg budget was submitted to the Luxembourg Parliament by the Ministry of Finance.

The draft law's main tax measure is the limitation of the validity period of advanced tax agreements (**ATA**) issued by the Luxembourg Tax Authorities (**LTA**) before 1 January 2015.

As a reminder, ATAs bind the LTA to the taxpayer – an ATA is an agreement between the LTA and a taxpayer, generally a company, where the LTA confirms the applicable tax treatment of a particular transaction and considering a specific structure. It offers legal certainty to the taxpayer and, once an ATA has been issued, the LTA cannot change its interpretation during the tax assessment procedure. The Luxembourg Government considers it needs to ensure legal consistency between the old procedure and the new procedure, introduced in 2015, on the issuance of ATAs by the LTA.

The proposed limitation is intended to ensure that the maximum validity period (five taxation years), as referred to in paragraph 29a (3) of the *Abgabenordnung* (General tax law or **GTL**), also applies to ATAs issued before 1 January 2015. The concerned taxpayer (not every taxpayer benefits from an ATA) will therefore be able to invoke an ATA issued before 1 January 2015 for a last time in the corporate tax returns for the 2019 fiscal year, provided that the ATA complies with the legislation in force.

However, the taxpayer will no longer be able to invoke an ATA issued before 1 January 2015 for tax periods from 2020. If the taxpayer wishes to benefit from an ATA from the 2020 tax year, it will have to submit a new application to the LTA, in accordance with the procedure provided in paragraph 29a of the GTL.