

KEY FACTS

Luxembourg introduced the intellectual property regime (Luxembourg IP Tax Law) providing an attractive 80% tax exemption for income derived from intellectual property and from capital gains realised on the sale of intellectual property. This benefits companies granting or using copyrights on software, licences, patents, trademarks, designs, models and internet domain names. This exemption is also available to taxpayers creating or using their own copyrights. All companies, regardless of their origin, nationality, size, shareholding or structure can take advantage of this benefit.

ADVANTAGES OF THE LUXEMBOURG IP TAX LAW
Regime Applicable to Royalties

Royalties derived from copyright on software, patent, brand name or trademark, design, a model or internet domain name benefit from an 80% exemption on their net income.

Regime Applicable to Capital Gains

Capital gains realised on the distribution of IP benefit from an 80% exemption, which is subject to certain conditions under the IP Tax Law.

Conditions Required

- The IP must have been created or acquired after 31 December 2007.
- The expenses in connection with the IP must be recorded as an asset in the balance sheet for the first book year for which the application of the regime is required.
- The IP must not have been acquired from a person who is an 'affiliated company' but may be acquired from a company by a contribution in kind.

Subject to these conditions being fulfilled, 20% of the net income from the IP will be taxed at 28.59%, resulting in an overall tax burden of 5.72% on the royalty income.

Conclusion

The Luxembourg IP regime offers an attractive alternative for the holding of intellectual property through a Luxembourg company. In addition, Luxembourg has an extensive tax treaty network and provides access to the EU directive on royalty payments. Luxembourg is poised to make the jurisdiction attractive for companies wishing to invest in intellectual properties and encourage companies to invest in research, development and innovation in the field of intellectual property.

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