Press Statement

The Luxembourg financial center is a prime asset of the country's economy. Key factors of success are the dynamism of its actors, the diversity of its financial products, its international character as well as its regulatory framework which ensures the solidity of its financial operators and the compliance with international standards to fight money laundering and tax fraud and tax evasion, established by the European Union, the Organization for Economic Cooperation and Development (OECD), the Global Forum on transparency and exchange of information for tax purposes as well as the International Monetary Fund (IMF).

In light of recent international developments, such as FATCA and the failure of the Rubik agreement between Germany and Switzerland, as well as ten years after the adoption of the EU 2003 Savings Directive (2003/48/EC) time has come to revisit the transitional coexistence of automatic exchange of information and withholding tax. Whereas Luxembourg still considers the withholding tax to be a most effective instrument to ensure tax compliance and guarantee data protection, it also acknowledges that international developments point to a broader use of automatic exchange of information in tax matters.

The Government has therefore decided to introduce, on 1 January 2015 and within the scope of the 2003 EU Savings Directive, the automatic exchange of information for all interest payments made by Luxembourg financial operators to individuals resident in another EU Member State, so as to ensure taxation according to the laws of the latter Member State while safeguarding protection of fiscally non relevant data.

The fiscal regime for individuals living in the Grand-Duchy of Luxembourg remains unchanged; a 10% withholding tax will be applied to saving's revenues paid by Luxembourg financial operators to those residents who will enjoy bank secrecy as it exists today.

The fiscal regime for citizens of or residents in the United States of America will be dealt with in a bilateral agreement under negotiation between the governments of Luxembourg and the United States.

The fiscal regime for payments made to residents of third countries will remain unchanged and ruled by bilateral non double taxation agreements between Luxembourg and these countries.

This initiative is the result of the dialogue Luxembourg had over years with its partners and of the analysis of what the future holds for international financial markets. It is a further milestone in the process of development of the Luxembourg financial center as a modern and transparent center whose genuine international character and data protection regime as well as its product diversity will be key assets for customer satisfaction provided to our present and future clientele worldwide.