

## LUXEMBOURG ADOPTED DRAFT LAW DENYING TAX DEDUCTIONS FOR INTEREST AND ROYALTY PAYMENTS TO RELATED ENTITIES IN NON-COOPERATIVE JURISDICTIONS

*The Luxembourg government adopted a draft law that denies tax deductions for interest and royalty payments to related entities residing in jurisdictions which are on the European Union's list of non-cooperative jurisdictions on March, 25th 2020. Because the draft law is not published yet, the details and the date of the entry into force are not yet confirmed.*



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Currently, Luxembourg taxpayers have to meet specific reporting requirements in relation to intercompany transactions with countries that are on the EU-List.

Last February the EU Council updated the EU-list of non-cooperative jurisdictions by adding the Cayman Islands, Palau, Panama, and Seychelles. In addition to the four added jurisdictions, the EU-List includes American Samoa, Fiji, Guam, Oman, Samoa, Trinidad and Tobago, Vanuatu and the US Virgin Islands. The EU regularly updates and reviews the list and the next review is scheduled for October 2020.



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The draft law follows the guidance, provided by the EU Council in December 2019, in which all Member States were invited to apply defensive measures in taxation, vis-à-vis the listed jurisdictions as of 1 January 2021.

It is expected that the Cayman Islands will not remain on the EU list of non-cooperative countries long-term, since they have already adopted some measurements that should be considered sufficient to be removed from the list during the next update in October 2020. In that case, structures involving deductible payments by Luxembourg companies to Cayman Islands resident entities should not be affected by the new draft law.

We will share a further update as soon as the draft law is published. Should you have any questions or require more information in the meantime, please do not hesitate to contact us.