

Luxembourg

Transfer Pricing Country Profile¹

May 2025

| | | SUMMARY | REFERENCE |
|----------------------------|--|--|---|
| The Arm's Length Principle | | | |
| 1 | Does your domestic transfer pricing framework ² make reference to the arm's length principle? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <p>Explicit references to the TPG can be found in the parliamentary file deposited in the legislative process. The documents can be retrieved in the electronic archives of the parliament.</p> <p>Article 56 LITL, entitled “Arm's length principle”, states that profits of enterprises that are linked by conditions that differ from those between independent enterprises shall be determined in accordance with the conditions that prevail between independent enterprises and taxed accordingly. It thus explicitly confirms the OECD benchmark.</p> <p>The legal provision has been introduced into LITL by the “loi du 19 décembre 2014 relative à la mise en oeuvre du paquet d'avenir”</p> <p>Article 56bis LITL has incorporated into Luxembourg law the relevant criteria of the revised TPG (Actions 8-10 of the BEPS Action Plan) which the taxpayer is obliged to comply with.</p> <p>This legal provision has been introduced by the budget law for the year 2017.</p> | <p>Art. 56 and 56bis of the modified law as of 4th December 1967 concerning income tax (“LITL”).</p> <p>Art. 56 LITL</p> <p>Chapter 9 of the corresponding bill and the related commentaries (which explicitly refer to the TPG); N° doc. parl. : 6722 (www.chd.lu)</p> <p>Art. 56bis LITL</p> <p>Art. 3 of the budget law 2017 and the related commentaries (of the draft budget law) cover the latest amendments in TP regulation in Luxembourg; N° doc. parl. : 7050</p> |

¹ Information in transfer pricing country profiles is provided directly by jurisdictions. By publishing the transfer pricing country profiles on the OECD website, the OECD does not certify the accurateness of the information provided therein. Importantly, transfer pricing country profiles published on the OECD website are made available to stakeholders for information purposes only, and are not intended to be used in substitution to a jurisdiction's legal instruments, jurisprudence, or administrative guidance or practice nor relied on as an accurate and complete description of domestic law.

² For purposes of transfer pricing country profiles, the term “domestic transfer pricing framework” refers to a jurisdiction's domestic legislation, regulations, administrative guidance or practice, jurisprudence or governing general principles in the jurisdiction.

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| 2 | Does your domestic transfer pricing framework give the OECD Transfer Pricing Guidelines any role or status (e.g. legal binding effect, subsidiary application in the absence of domestic legislation, source of interpretation of domestic legislation and/or treaty provisions, other)? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The OECD TPG are the base reference in domestic legislation. They constitute the framework for any TP analysis. | Art. 56 and 56bis LITL Refer to section 1 | | | | | | | | | | | | |
| 3 | Does your domestic transfer pricing framework provide for a definition of related parties applicable for transfer pricing purposes? If so, please provide the definition contained under your domestic transfer pricing framework. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Art. 56 incorporates the definition provided by Article 9 (1) of the OECD Model Tax Convention on Income and on Capital. | Art. 56 of the modified law as of 4th December 1967 concerning income tax (" LITL "). Refer to section 1 | | | | | | | | | | | | |
| Transfer Pricing Methods | | | | | | | | | | | | | | | |
| 4 | Does your domestic transfer pricing framework provide for transfer pricing methods to be used in respect of transactions between related parties? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If affirmative, please check those provided for in your legislation: <table border="1" data-bbox="678 935 1527 1096"> <tr> <td>CUP</td><td>Resale Price</td><td>Cost Plus</td><td>TNMM</td><td>Profit Split</td><td>Other (<i>If so, please describe</i>)</td></tr> <tr> <td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td><td><input type="checkbox"/></td></tr> </table> As domestic legislation reflects the principles of the OECD TPG, the transfer pricing methods as outlined in the guidelines are required to be used. "Other methods" may be acceptable within the limits of paragraph 2.9 of the OECD TPG. | CUP | Resale Price | Cost Plus | TNMM | Profit Split | Other (<i>If so, please describe</i>) | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | |
| CUP | Resale Price | Cost Plus | TNMM | Profit Split | Other (<i>If so, please describe</i>) | | | | | | | | | | |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | | | | | | | | | | |
| 5 | Which criterion is provided for in your domestic transfer pricing framework for the application of transfer pricing methods? | Please check all that apply: <input type="checkbox"/> Hierarchy of methods <input checked="" type="checkbox"/> Most appropriate method <input type="checkbox"/> Other | | | | | | | | | | | | | |

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| | | The basis for any TP related analysis being the OECD TPG, the method to apply is the one determined as being appropriate, with regard to the guidelines provided by the OECD TPG. | |
| 6 | Does your domestic transfer pricing framework contain specific guidance on commodity transactions? | <input checked="" type="checkbox"/> Yes <input checked="" type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed. <input type="checkbox"/> Domestic transfer pricing framework provides for the use of a specific method for controlled transactions involving commodities <input checked="" type="checkbox"/> No Domestic legislation does not contain any domestic specific guidance on commodity transactions, but refers to the arm's length principle in accordance with the OECD TPG. | Art. 56 and 56bis LITL Refer to section 1 |
| Comparability Analysis | | | |
| 7 | Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No This legal provision has been introduced by the budget law for the year 2017. | Art. 56bis LITL Art. 3 of the budget law 2017 and the related commentaries (of the draft budget law) cover the latest amendments in TP regulation in Luxembourg ; N° doc. parl. : 7050 |
| 8 | Is there a preference in your jurisdiction for domestic comparables over foreign comparables? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Art. 56bis LITL |
| 9 | Does your domestic transfer pricing framework permit the use of secret comparables for transfer pricing assessment purposes? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 10 | Does your domestic transfer pricing framework allow or require the use of an arm's length range and/or | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | |

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| | statistical measure (e.g. the interquartile range or other percentiles) for determining arm's length remuneration? | Luxembourg follows the guidance of the OECD TPG. | |
| 11 | Are comparability adjustments required under your domestic transfer pricing framework? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No In the case where no suitable direct comparables can be found, comparability adjustments might eliminate material differences for the purpose of the determination of the arm's length price. Such comparability adjustments have to be done in compliance with the TPG. | |
| Intangible Property | | | |
| 12 | Does your domestic transfer pricing framework contain guidance specific to the pricing of controlled transactions involving intangibles? | <input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VI of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No Luxembourg's domestic legislation or regulations do not contain specific guidance on the pricing of controlled transactions involving intangibles and tend to rely on the OECD TPG. | |
| 13 | Are there any other rules outside your transfer pricing framework that are relevant for the pricing of controlled transactions involving intangibles? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Please refer to question 12. | |

| Hard-to-Value Intangibles | | | |
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| 14 | Does your domestic transfer pricing framework contain guidance specific to hard-to-value intangibles (HTVI)? ³ | <input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow the guidance on HTVI in Chapter VI of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No | |
| | | <p>Luxembourg has at this stage introduced into national legislation the general principles described in the Chapters I – III of the OECD TPG. No specific guidelines have been implemented so far on the remaining chapters of the OECD TPG. Therefore, the HTVI approach defined in Chapter VI is to be considered as not implemented in domestic legislation. Nonetheless, the general provision of Chapters I-III can be used for audit purposes with regard to transactions on intangibles.</p> | |
| Intra-group Services | | | |
| 23 | Does your domestic transfer pricing framework provide guidance specific to intra-group services transactions? | <input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VII of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No | |
| | | <p>Luxembourg's domestic legislation or regulations do not contain specific guidance on intra-group services and tend to rely on the OECD TPG.</p> | |
| 24 | Does your domestic transfer pricing framework provide for or allow the application of a simplified approach for low value-adding intra-group services? | <input type="checkbox"/> Yes. If so, does it follow (largely follow) the low value-adding services approach in Chapter VII? <input type="checkbox"/> Yes <input type="checkbox"/> No | |

³ In the case of jurisdictions that do not apply the HTVI approach (i.e. they responded “no” to question 14), it is not necessary to respond to the remaining questions in the HTVI section and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

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| | | <input checked="" type="checkbox"/> No | |
| | | <p>Luxembourg follows the guidance in the OECD TPG, and thus the simplified approach for low value-adding intra-group services (as outlined in Chapter VII) could be accepted, depending on the facts and circumstances of each case.</p> | |
| 25 | Are there any other rules outside your transfer pricing framework for pricing intragroup services? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| | | <p>Please refer to section 16.</p> | |
| Financial Transactions | | | |
| 26 | Does your domestic transfer pricing framework provide guidance specific to financial transactions? | <input checked="" type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter X of the TPG? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> No | Administrative Circular LIR 56 – 56bis/1 as of 27th December 2016 |
| | | <p>Specific guidance on financial transaction is provided under the form of an administrative circular.</p> <p>The mentioned circular incorporates the clarifications provided by the BEPS Action 8-10 revised Chapter I of the OECD TPG (i.e. control and assumption of risks). It is thus in line with the OECD guidance on financial transactions. It also contains the safe harbour provisions explained in question 28 below.</p> | |
| 27 | Are there any other rules outside your transfer pricing framework that are relevant for the tax treatment of financial transactions? <i>(e.g. whether your jurisdiction has implemented the measures in BEPS Action 4 to limit interest deductions and other financial payments or any similar rules)</i> | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Law of 21st December 2018 |
| | | <p>Article 2 of the Law of 21st December 2018 (transposing the EU Anti-Tax Avoidance Directive of 12th July 2016 (ATAD 1)) has introduced a measure to limit interest deductions into national law. In accordance with Article 168bis LITL, corporations are only allowed to deduct a limited amount of interest for tax purposes for a given year. The net amount between interest income and interest expenses is</p> | |

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| | | only deductible up to 30% of the company's EBITDA (Earnings Before Interest, Tax and Amortization) or up to an amount of EUR 3 million, whichever is higher, with the possibility of a carry forward. | |
| Cost Contribution Arrangements | | | |
| 28 | Does your jurisdiction allow cost contribution arrangements? | <input type="checkbox"/> Yes. If so, does your domestic transfer pricing framework follow (or largely follow) the guidance in Chapter VIII of the TPG? <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> No | |
| | | Luxembourg's domestic legislation or regulations do not contain specific guidance on CCAs and tends to rely on the OECD TPG. | |

Transfer Pricing Documentation

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| 29 | Does your domestic transfer pricing framework require the taxpayer to prepare transfer pricing documentation? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If affirmative, please check all that apply:</i> <ul style="list-style-type: none"> <input type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG <input type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG <input checked="" type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG <input type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return) <input checked="" type="checkbox"/> Other (specify): <p>There is a documentation obligation for any transactions related to the determination of the taxable income. This documentation obligation is also extended to intercompany transactions, meaning that every taxpayer subject to the provisions of the arm's length principle in the Income Tax Law needs to document how the arm's length price has been determined. No specific form is required by law.</p> | <p>§ 171 (3) of the General Law on Taxation Loi du 19 décembre 2014 relative à la mise en œuvre du paquet d'avenir – première partie (2015), Mémorial A – N°257 as of 24th December 2014 p. 5472</p> <p>Law of 23rd December 2016 (published in the OJ : Mémorial A – No 280 as of 27th December 2016 page 5920 and following) related to CbCR</p> |
| 30 | Please briefly explain the relevant requirements related to each transfer pricing documentation requirement (i.e. timing for preparation or submission, languages, etc.) | Documentation needs to be provided upon request by the taxation office during the process of the tax assessment. There is no specific requirement to file TP documentation during the filing of the tax returns. The documentation can be filed in the administrative languages of Luxembourg: French and German. Documentation in English is also acceptable. Requirements for the CbCR are in line with BEPS Action 13. | |
| 31 | Does your domestic transfer pricing framework provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <p>No specific TP related penalties, but administrative penalties may be applicable in order to enforce taxpayers' delivery of general documentation on transactions in the course of the tax assessment.</p> | § 202 of the General Law of Taxation |
| 32 | Does your domestic transfer pricing framework provide for exemption | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |

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| | from transfer pricing documentation obligations? | MNEs with a turnover below EUR 750 million are not required to file CbCR but need to comply with the documentation obligation for any transactions related to the determination of the taxable income. | |
| Administrative Approaches to Avoiding and Resolving Disputes | | | |
| 33 | Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes? | <p>Please check those that apply:</p> <p><input type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement or cooperative compliance programmes</p> <p><input checked="" type="checkbox"/> Advance Pricing Agreements (APA)</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Unilateral APAs</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Bilateral APAs</p> <p style="padding-left: 20px;"><input checked="" type="checkbox"/> Multilateral APAs</p> <p><input checked="" type="checkbox"/> International Compliance Assurance Programme (ICAP)</p> <p><input checked="" type="checkbox"/> Mutual Agreement Procedures</p> <p><input checked="" type="checkbox"/> Other (<i>please specify</i>): European Trust and Cooperation Approach (ETACA)</p> | <p>§29a of the General Law of Taxation</p> <p>Grand Ducal Decree as of 23rd December 2014</p> <p>Luxembourg's MAP Profile</p> <p>Circular L.G. - Conv. D.I. n° 60 of 11 March 2021</p> |
| | | <p>A general regime with regard to unilateral APAs has been introduced as of 29th December 2014, whereas the Luxembourg Competent Authority concludes bi- and multilateral APAs on the basis on Article 25(3), first sentence of the OECD Model Tax Convention. The Luxembourg MAP guidance is published and regularly updated under on the website of the Luxembourg tax administration (Circular L.G. - Conv. D.I. n° 60).</p> <p>For further information, please refer to Luxembourg's MAP Profile.</p> | <p>Luxembourg OECD MAP Profile</p> |
| Simplified and Streamlined Approach for Baseline Marketing and Distribution Activities | | | |
| 34 | Does your domestic transfer pricing framework allow the application of the simplified and streamlined approach for baseline marketing and | <p><input type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><input checked="" type="checkbox"/> Other</p> | |

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| | distribution activities in the relevant Annex of Chapter IV of the TPG⁴? | The simplified and streamlined approach for baseline marketing and distribution activities is under consideration. | |
| 37 | Does your jurisdiction respect the outcome of the application of the simplified and streamlined approach by a covered jurisdiction in line with the Inclusive Framework political commitment? | <input type="checkbox"/> Yes <input type="checkbox"/> No Please refer to the answer provided to question 34. | |
| Safe Harbours and Other Simplification Measures | | | |
| 39 | Does your jurisdiction provide for any safe harbours or other simplification measures in respect of certain industries, types of taxpayers, or types of transactions (not listed in other sections of this questionnaire)? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Circular 56/1 – 56bis/1 as of 27 December 2016 provided safe harbour provisions for financing companies. The Circular provides that financial companies realizing a purely intermediary activity can opt for a simplified method and declare a minimum after tax return of 2% in relation to the intermediated amounts. | §4 of the Administrative Circular LIR 56 – 56bis/1 as of 27th December 2016 |
| Other Legislative Aspects or Administrative Procedures | | | |
| 40 | Does your domestic transfer pricing framework allow downward corresponding adjustments in the absence of a mutual agreement procedure (e.g. unilateral corresponding adjustments)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Luxembourg domestic legislation does not allow downward corresponding adjustments in the absence of a mutual agreement procedure. | |
| 41 | Does your domestic transfer pricing framework allow or require taxpayers to make year-end adjustments? | <input checked="" type="checkbox"/> Yes. Year-end adjustments are required. <input type="checkbox"/> Yes. Year-end adjustments are allowed. <input type="checkbox"/> No | |

⁴ In the case of jurisdictions that do not apply the simplified and streamlined approach (i.e. they responded “no” to question 26), it is not necessary to respond to questions 35, 36 and 38 and these questions will not be published as part of jurisdiction’s transfer pricing country profile.

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| | | Compliance with the arm's length principle is mandatory for all enterprises subject to the provisions of Art 56 and 56bis LIR. | |
| 42 | Does your domestic transfer pricing framework provide for secondary adjustments? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Excessive cash payments operated by an enterprise to a parent company on the basis of transfer prices exceeding the arm's length price might in certain cases be subject to the recognition of a constructive dividend distribution for the excess price charged. | Art. 164 (3) LITL |
| Attribution of Profits to Permanent Establishments | | | |
| 43 | Which version of Article 7 of the OECD Model Tax Convention on Income and on Capital do your tax treaties contain? | <input checked="" type="checkbox"/> Article 7 as it read before 2010. <input checked="" type="checkbox"/> If so, please indicate in how many treaties: 82 <input checked="" type="checkbox"/> Article 7 as it reads after 2010. <input checked="" type="checkbox"/> If so, please indicate in how many treaties: 10 <input type="checkbox"/> Other | Tax treaties |
| 44 | For tax treaties containing Article 7 as it read before 2010, does your jurisdiction apply the authorized OECD approach (AOA)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No In case a double tax treaty contains the pre-2010 language of Article 7 (OECD MTC), the provisions of that old version of Article 7 and the corresponding commentaries of the respective MTC version are regarded to be not compatible with the concept of the AOA, so that the AOA may in principle not be applied. | |

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| 45 | <p>Does your domestic transfer pricing framework contain specific guidance for the attribution of profits to permanent establishments of non-resident entities? If so, please provide a summary of the main features of this guidance.</p> | <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2008 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they follow the AOA as described in the 2010 Report on the Attribution of Profits to Permanent Establishments</p> <p><input type="checkbox"/> Yes, they do not follow the AOA</p> <p><input checked="" type="checkbox"/> No</p> | |
| <p>Other Relevant Information</p> | | | |
| 46 | <p>Other legislative aspects or administrative procedures regarding transfer pricing</p> | N/A | |
| 47 | <p>Other relevant information (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i>)</p> | N/A | |

For more information, please visit: <https://www.oecd.org/en/topics/sub-issues/transfer-pricing/transfer-pricing-country-profiles.html>