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Wealth Management dossier

EXPERTISE, NOT TAXES, IS THE SECRET TO LUXEMBOURG'S SUCCESS

When I ask companies, clients or investors why they have chosen Luxembourg, they give me a variety of reasons: the international outlook and expertise, a multilingual and multicultural environment, state-of-the-art infrastructure, a world-class financial centre, political and economic stability, responsive public authorities or quite simply the fact that they feel welcome in a country and an economy that is as open to the world as Luxembourg.

The answer, however, is never: *"we come here purely for tax reasons"*. Unfortunately, people who don't know Luxembourg, or merely think they know Luxembourg, all too often believe that our success is built on secrecy or that multinational companies come here to benefit from alleged *"tax deals"*. Neither of these things is true.

On the contrary, Luxembourg has embraced transparency. The government is fully committed to ensuring that all bank clients are tax compliant and that companies pay their fair share of taxes.

Let me make one thing perfectly clear: there are no *"secret tax deals"* in Luxembourg. Tax rulings are nothing more than an advance decision by the tax authority confirming how the tax law applies to a given transaction or project. These decisions are not secret; they are merely kept confidential from the public, like any other document relating to a person's tax filing. Rulings are, however, accessible to the tax authorities of the home base of the companies, either via Luxembourg's tax authorities or via the company itself. Neither are they tax deals. Tax rates are not freely negotiated, but are the result of the application of existing national and international rules, as well as of the relevant double taxation treaties.

Companies can only reduce their tax burdens as a result of the interaction of various national tax regimes – not because they choose to come to Luxembourg.

This is why the problem of the fair taxation of multinationals cannot be solved by Luxembourg alone but requires a joint effort by the international community. It also requires all countries to take a good hard look at their own national tax regimes.





National tax regimes need to be adapted to today's globalised digital economy. And this needs to be done in a coordinated manner. Luxembourg has been actively participating in initiatives at OECD level to achieve precisely this. At the European level, Luxembourg has supported, in July 2014, the addition of new provisions to the parent-subsidiary directive, which aims at preventing the double non-taxation of companies through hybrid mismatches. Luxembourg is among the first countries to express its support for the introduction into this directive of a generalised anti-abuse clause, as well as for the Commission's initiative to set up an automatic exchange of tax rulings.

Regarding the tax compliance of individuals, Luxembourg introduced the exchange of information on demand in 2009. Since the end of 2013, the government has taken further concrete steps towards full tax transparency. In this respect, mention must be made of the law approving the Convention on Mutual Administrative Assistance in Tax Matters, as well as the law establishing the procedure for the exchange of information for tax purposes upon request. The automatic exchange of information will enter into force under the EU Savings Tax regime, as of 1 January 2015. From 1 January 2017, the automatic exchange of information will be extended to all types of sources of income, including client account balances. Luxembourg is among the early adopters of the OECD's Common Reporting Standard, which will make the automatic exchange of information the global norm. Clearly, Luxembourg is not a place for international clients to hide their money from their tax authorities.

Luxembourg is a constructive player in the move towards greater transparency in tax matters. This reality is giving Luxembourg's wealth management industry, as well as the financial centre more generally, a new opportunity to differentiate itself where it excels: providing international expertise.

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