



ATOZ ALERT

Amendments to Draft Law on Property Tax and Tax on Land Mobilisation Submitted to Parliament

16 July 2025

On 15 July 2025, the Luxembourg government submitted a series of [governmental amendments](#) to draft law n°[8082A](#) (the “**Draft Law**”) on property tax (impôt foncier, “**IFON**”) and the tax on land mobilisation (impôt à la mobilisation de terrains, “**IMOB**”). The proposed legislative package seeks to modernise and update the property tax regime while fostering housing development by discouraging speculative land retention.

We hereafter present the key amendments introduced in the Draft Law and their impact on the proposed IFON and IMOB.

Background

Since its initial submission to Parliament on 10 October 2022, the original draft law n°[8082](#) has undergone significant restructuring. It has recently been split into two separate legislative tracks: Draft Law n°[8082A](#), addressing IFON and IMOB on the one hand, and draft law n°[8082B](#), relating to the tax on the non-occupation of housing (impôt sur la non-occupation de logements, “**INOL**”) on the other hand. This split was deemed necessary to separate the legislative process, as the INOL depends on draft law n°[8086](#) relating to the national and municipal registers of buildings and housing. This avoids delaying the adoption of the IFON and IMOB provisions due to dependencies related to INOL.

The main objectives of the property tax reform are to eliminate the inequalities generated by the current IFON and to create a new valuation model that will be more objective, transparent and fair. The aim of the property tax reform is not to increase tax revenues, but rather to introduce fair and equitable taxation that does not expose itself to accusations of unequal treatment.

Another challenge of this reform is the fight against the notorious housing shortage in Luxembourg. The purpose of the IMOB is to encourage the effective construction of housing on the land dedicated to this end. The IMOB is an innovation and is based on the establishment of a national register of undeveloped land, which lists all land available for construction under the general development plans (PAG).

Contrary to the IFON, the IMOB will be a national tax to achieve a uniform situation in the country. The IMOB revenue will accrue entirely to the State.

For more background on the initial draft law on IFON, IMOB and INOL, please read our ATOZ Insights “[The Luxembourg property tax reform: too slow to address efficiently the housing challenges!](#)”

Key Amendments

The amendments stem primarily from (i) procedural observations issued by the Council of State in its opinion dated 13 June 2023, (ii) technical and IT-related implementation considerations, and (iii) consultations with stakeholders, notably from the agricultural and viticultural sectors.

Below is an overview of the main amendments.

TAXPAYERS IN SCOPE (IFON/IMOB)

Taxation of bare owners repealed

The taxpayer liable for IFON and IMOB is the owner of the property. In the event of a dismemberment of ownership rights, the taxpayer is an usufructuary, an emphyteuta (holder of a long-term lease), or a superficiary (holder of surface rights), and not necessarily the person who owns the parcel.

Under the initial draft law, the usufructuary and the bare owner shared the tax burden equally in relation to the IMOB in case of all man-made usufructs (that are not legal usufructs) established before the law came into force. The taxation of the bare owner has been abolished following a formal objection by the Council of State, so that only the usufructuary remains liable for the tax, to the exclusion of the bare owner.

Exemption of investment funds and public promoters repealed

To reinforce legal certainty and ensure equal treatment, the Draft Law repeals tax exemptions previously available to investment funds. It is proposed that investment funds be subject to IFON and IMOB whenever they hold real estate assets under the conditions set out in the Draft Law. Similarly, no exemptions will apply to public promoters such as the State, municipalities, or public institutions.

BASE VALUE ASSESSMENT (IFON/IMOB)

The initial proposed formula for valuing lands was based on factors that are widely recognised as determining the value of a property, namely (1) the building potential, (2) the land use patterns, (3) the geographical location, (4) the development phasing (immediate availability for construction or not), (5) the available surface area, (6) the number of facilities and services available in the neighbourhood and (7) the general level of property prices. To keep up to date the data needed for the evaluation of the base value of the property, the data will be re-evaluated periodically – at least every 3 years.

The government brings some amendments to the Draft Law to the way the base value of a land must be assessed for IFON and IMOB purposes.

Distinction between base value of land (IFON) and base value of buildable land (IMOB)

There are now multiple formulas for calculating the base value.

- A first distinction is made between the **base value of land** – which constitutes the taxable object for IFON – and **buildable land**, which is taxable under the IMOB.
Since the taxable object differs between the two taxes, the tax base for buildable land under the IMOB does not necessarily correspond to the underlying land base used for IFON. Therefore, the use of two separate base values – one for each type of tax – is necessary.
- A second distinction is made within buildable lands between **served buildable land** and **non-served buildable land**, subject to slightly different calculation formulas, depending on the nature of the land.
This distinction is essential because these two types of buildable land are subject to different tax rates.

Incorporation of real rights shares and allowances into the formula

Another major change is the **integration of shares and portions of rights *in rem*** directly into the base value calculation formula, rather than accounting for them later at the tax assessment stage, as in the initial Draft Law.

As a result, the base value formulas now directly yield a **base value adjusted to the extent of the taxpayer's rights *in rem***. This allows the taxpayer to know, from the first base value assessment, the exact tax base that will later be used to calculate their tax. This also ensures that all key data is established at the base value assessment stage, with the aim of encouraging any objections to be raised early rather than later at the tax assessment stage. **Allowances** will also be incorporated directly into the base value assessments, with the tax assessments simply reflecting the previously determined allowance.

IMOB SCOPE

Under the initial Draft Law, a distinction was made between land immediately suitable for construction and land requiring prior development, such as roadworks and public or shared infrastructure. Land that was too small or irregularly shaped to allow for compliant residential construction was exempt from taxation. Likewise, no tax was applied to land already built upon if it could not accommodate additional structures. However, if a property had enough remaining space to support new construction – even in case of existing building – it was subject to tax unless that space was utilised.

Under the amended Draft Law, land merely deemed technically buildable will no longer fall within the scope of IMOB by default. The scope of the IMOB is now more targeted, applying primarily to:

- Unbuilt lands located in “new district” planning zones (plan d’aménagement particulier “nouveau quartier”); and
- Unbuilt lands located in “existing district” planning zones (plan d’aménagement particulier “quartier existant”).

The reform seeks to balance the policy goal of incentivising land development with the need to protect ongoing land uses and existing rights.

Under the Draft Law, buildable land is defined based on plots located in areas designated by the general development plan (PAG) and specific development plans (PAP) that allow for the construction of buildings intended, wholly or partially, for residential use, covering at least 25 percent of the gross built-up area. However, the Draft Law introduces exclusions for certain lands based on their legal, planning, or physical constraints. It targets, for example, lands located in zones where residential construction is either not permitted or only allowed under very limited conditions, portions of land that, although potentially within buildable zones, are rendered unbuildable due to legal or regulatory constraints or technically unserviceable lands.

IFON CALCULATION

According to the initial Draft Law, the proposed property tax formula was a simple multiplication between a unitary value representing the value of a parcel (and no longer an evaluation dating from 1941) and a tax rate set by the municipality where the land is located, ranging between 9% and 11%.

The amended Draft Law removes the previously proposed mandatory rate range for the IFON, thereby reinstating full discretion for municipal councils to set local rates, consistent with the current framework.

Additionally, the IFON will now be calculated per cadastral parcel rather than per plot of land. Both the base value (used to determine the IFON) and the applicable allowance will be expressed in points instead of euros. This change replaces the euro-based valuation from the initial draft law with a point-based system to avoid giving taxpayers the impression that they are immediately liable for a monetary payment at the stage of the base value assessment. Moreover, expressing these values in euros could be misleading, as they are not intended to reflect actual market property prices.

EXEMPTIONS (IFON/IMOB)

Exemption for the agricultural and viticultural sector

Under the amended Draft Law, exemptions from both IFON and IMOB are proposed for lands already used for agricultural or viticultural activities during the first tax year of the new regime. However, lands located within localities deemed of particular interest under territorial planning policies; lands not used for these purposes during the first tax year of the new regime; or lands newly zoned as buildable (from former green zones), will not benefit from such exemptions.

Even if certain buildable plots are exempt from the IMOB due to agricultural activity being carried out on them, they remain listed in the national register of buildable land. It serves, even in the absence of taxation, as a reminder to holders of rights in rem that these plots may become subject to the IMOB once agricultural activity ceases.

ALLOWANCES (IFON/IMOB)

Maintenance of main residence allowance (IFON)

To preserve affordability for essential housing, the amended Draft Law maintains the existing main residence allowance under the IFON. For more information on this allowance, please read our ATOZ Insights [“The Luxembourg property tax reform: too slow to address efficiently the housing challenges!”](#)

Extension of child allowance (IMOB)

Initially, the government planned to introduce a flat-rate allowance of 3400 euros for each child under the age of 25. The government now increases the age threshold for the IMOB allowance from 25 to 35 years, facilitating intergenerational land transfers.

This measure is supposed to allow a reasonable size of land for each child to be released from taxation, to enable the future construction of a single-family home. This proposed amendment is thus welcome as at 25, not everybody is settled professionally and financially in a position to build a house.

MAIN PROCEDURAL AMENDMENTS

Introduction of a unified tax procedure

Under the amended Draft law, the Abgabenordnung (“AO”) is introduced as the harmonised tax procedure for the IMOB and related assessments, excluding IFON assessments which remain governed by municipal law. As a result, the Administration des contributions directes (“ACD”) will serve as the single point of contact for the base value assessment (bulletin de valeur de base) and the IMOB assessment (bulletin IMOB), whereas the IFON assessment remains under municipal jurisdiction.

The IMOB and the IFON will be established based on the base value of the property, which will be determined by the ACD using data provided by the relevant ministries and public services.

Digitalisation of notifications and claims procedure

Given the data-intensive nature of the new valuation model, especially as it underpins tax assessments, the claims procedure against the tax assessments is being digitalised for the base value and the IMOB. This aims to ensure efficient administration and reduce processing delays. Extending the electronic procedure to the IFON is however considered as generating additional costs disproportionate to the benefits gained and thus the use of an electronic procedure has not been fully integrated into the amended Draft Law with regard to IFON.

The amended Draft Law also provides that taxpayers can also opt for an electronic notification of the base value and IMOB assessments. In such cases, the AO provisions remain applicable and, like for postal notifications,

electronic notification is presumed to have been completed on the third working day following the electronic transmission of the assessment.

The amended Draft Law provides that **tax claims against the base value or the IMOB assessments** must be submitted to the director of the ACD in accordance with the AO. However, by way of derogation from the AO, tax claims must be submitted **electronically using a form provided through the “guichet.lu” digital platform**. Failure to do so will result in the **inadmissibility of the claim**. The tax authorities shall also **notify the director’s decision electronically**.

Under the amended Draft Law, if a correction to a base value assessment affects the amount of IFON or IMOB due for the relevant tax year, revised IFON and IMOB assessments will be issued automatically. However, objections filed against IFON or IMOB assessments may not challenge elements of the base value assessment. This appears to imply – though it remains somewhat unclear – that once the base value assessment becomes final, it is binding for both taxes. As a result, any tax claim against an IFON or IMOB assessment would be inadmissible if it seeks to contest a base value that has already been definitively established.

Entry into force

Due to the significant IT infrastructure required, the Draft Law is scheduled to enter into force on 1 January 2029, with the first tax year being 2030. This allows for real-world testing of data flows and technical systems prior to implementation.

The Draft Law will now proceed through its legislative process, and we will keep you informed of any further developments.

Do you have any questions?



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