



ATOZ ALERT

Luxembourg submits draft law transposing DAC9 and amending Pillar Two framework

4 August 2025

On 24 July 2025, the Luxembourg government released the [draft law No. 8591](#) (“the **Draft Law**”) transposing the [Directive \(EU\) 2025/872](#) (“**DAC9**”) amending the Directive on administrative cooperation in the field of taxation (“**DAC**”) for the ninth time to facilitate compliance with the filing obligations of companies under the 2022 Pillar Two directive¹ which aims to ensure a global minimum level of taxation for multinational enterprise (“**MNE**”) groups and large-scale domestic groups (“**LSDGs**”) in the EU.

The Draft Law introduces targeted amendments to the existing Pillar Two Law with a focus on easing the compliance burden and clarifying the treatment of deferred taxes for Pillar Two purposes. In line with DAC9, Luxembourg **establishes** the foundation for a system for tax authorities to **exchange Pillar Two information** with each other.

This Alert outlines the key elements of this Draft Law and their implications for Luxembourg companies.

Streamlining GloBE information return obligations

At the heart of the Draft Law is the operationalisation of the “top-up tax information return” (“**GloBE Information Return**” or “**GIR**”), a key reporting requirement under the OECD/G20 Pillar Two framework. The GloBE Information Return mandates MNE groups and LSDGs to disclose data necessary to calculate effective tax rates and top-up tax liabilities.

The obligation to prepare a GloBE Information Return is distinct from the requirement to declare and pay Luxembourg top up taxes under a Luxembourg tax return. DAC9 does not prevent Luxembourg constituent entities to file such Income Inclusion Rule (“**IIR**”), Undertaxed Profits Rule (“**UTPR**”) or Qualified Domestic Top-up Tax (“**QDMTT**”) returns in Luxembourg.

The Draft Law mandates the use of a standardised GloBE Information Return template, as outlined in Annex VII of DAC9 and mirrored in a [draft Grand-Ducal Regulation](#). This template ensures consistency across EU

¹ Council Directive (EU) 2022/2523 of 14 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.

jurisdictions and aligns with the OECD's Inclusive Framework on Base Erosion and Profit Shifting ("**BEPS**"). On this basis, constituent entities filing the GloBE Information Return must indicate the relevant information and jurisdictions with which the information must be automatically exchanged, in accordance with the dissemination approach described hereafter.

Luxembourg constituent entities are generally required to file the GloBE Information Return locally. However, exemptions may apply where a compliant GloBE Information Return is filed centrally by the ultimate parent entity ("**UPE**") or a designated filing entity in a jurisdiction that has a qualifying competent authority agreement with Luxembourg (centralised filing). DAC9 itself qualifies as such an agreement for intra-EU exchanges, while a Multilateral Competent Authority Agreement governs exchanges with non-EU jurisdictions.

Safeguards Against Filing Failures

To ensure the integrity of the centralised filing system, the Draft Law introduces a fallback mechanism. If the Luxembourg tax authority ("**ACD**") does not receive the expected GloBE Information Return via automatic exchange from another jurisdiction, it must promptly inform the foreign competent authority of the missing exchange.

Should the ACD fail to obtain the information via automatic exchange within three months, the Draft Law mandates that the Luxembourg constituent entity, including any joint venture or affiliate located in Luxembourg, must file locally within one month of notification by the ACD, overriding the initial local filing exemption.

Additionally, the Draft Law introduces a transitional simplified jurisdictional reporting regime. For fiscal years starting before 1 January 2029 and ending before 1 July 2030, Luxembourg entities may opt for aggregated reporting in jurisdictions where no top-up tax is due or no entity-level allocation is required – provided reciprocity is ensured.

Rectification and penalties

The Draft Law empowers the ACD to rectify manifest errors in GloBE Information Returns and mandates prompt correction by the reporting entity.

Under the Draft Law, penalties for non-compliance are structured as follows:

- A minor issue, like submitting an incomplete, incorrect or late notification about who is filing the GloBE Information Return, results in a flat fine of EUR 5,000.
- A more serious issue, such as submitting an incomplete, incorrect or late GloBE Information Return, can lead to a fine of up to EUR 250,000.
- The most severe case, where a company misuses the local filing exemption and fails to prove that the return was filed elsewhere, can result in a fine of up to EUR 300,000.

Automatic exchange and dissemination framework

The Draft Law establishes a framework for the automatic exchange of GloBE Information Returns between tax authorities as required under the Pillar Two directive and DAC9. It establishes a detailed dissemination approach for the automatic exchange of GloBE Information Returns.

For that purpose, jurisdictions are categorised based on their implementation of Pillar Two rules:

- **Implementing Jurisdictions** receive the full general section of the GloBE Information Return, including a consolidated summary, if they host the UPE or a constituent entity.
- **QDMTT-only Jurisdictions** receive a general section excluding the summary, subject to specific conditions.
- **Jurisdictions with Taxing Rights** receive jurisdiction-specific sections relevant to their taxing authority.

The jurisdiction of the UPE always receives all jurisdictional sections.

The ACD must transmit GloBE Information Returns within three months of the filing deadline, or within three months of receipt if filed late. The first exchanges are expected from 31 December 2026, covering fiscal years beginning on or after 31 December 2023.

Clarifying deferred tax treatment

The Draft Law also incorporates the OECD/G20 Administrative Guidance of January 2025, which addresses the transitional treatment of deferred taxes.

It extends exclusions to deferred tax assets arising from:

- Agreements with public authorities concluded or amended after 30 November 2021.
- Retroactive elections or options exercised after that date.
- Corporate tax regimes introduced post-30 November 2021.

Partial recognition of such deferred tax reversals is permitted under strict conditions, including a 20% cap and specific fiscal year and cut-off date limitations.

Do you have any questions?



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