Chambers
AND PARTNERS

CHAMBERS GLOBAL PRACTICE GUIDES

Private Wealth 2026

10th Anniversary Special Edition

Definitive global law guides offering comparative analysis from top-ranked lawyers

Luxembourg: Trends and Developments

Romain Tiffon and Marie Bentley

ATOZ Tax Advisers

LUXEMBOURG

Trends and Developments

Contributed by:
Romain Tiffon and Marie Bentley
ATOZ Tax Advisers

ATOZ Tax Advisers was founded in 2004, and is a leading independent tax advisory firm offering a comprehensive range of direct and indirect tax solutions, as well as transfer pricing, corporate finance, tax litigation and ESG services, to local and international clients, across industries including all alternative investment asset classes and the private wealth domain. ATOZ operates offices in Luxembourg, Morocco, the United Kingdom, and in the Middle East. In addition, in 2005, ATOZ was amongst the founding members of the Taxand network, the world's largest independent organisation of tax experts with more than 700 tax partners and over 3,000 tax advisers in 51 countries. Over 20 years of long-standing relationships allow the firm to assemble bespoke, multijurisdictional teams, delivering seamless and high-quality tax advice tailored to clients' needs.

Authors

Romain Tiffon is a partner in the international and corporate tax department at ATOZ. A tax professional since 2006, Romain has experience in structuring Pan-European alternative investment funds across all asset classes, as well as co-ordinating tax structuring advice and implementation for a wide range of institutional investors. He also has extensive experience in structured finance, mergers and acquisitions transactions, and sovereign wealth funds, and is currently co-heading ATOZ's technological initiatives, via ATOZ Solutions.

Marie Bentley is ATOZ's chief knowledge officer, having joined the firm in 2017. Marie has worked as a tax lawyer for over ten years, qualified as a Belgian lawyer on the Brussels Bar in 2008 and was admitted to practice in Luxembourg by the Luxembourg Bar in 2013, practising until 2017. Marie has gained extensive experience in Luxembourg, Belgian and international tax law, both in advisory and litigation. She was notably involved in international tax projects focusing on the private equity sector, M&A and high-net-wealth individuals. Marie is the author of numerous articles on tax-related topics published in various legal journals, including the Revue Générale de Fiscalité and the Journal de Droit Fiscal.

ATOZ Tax Advisers

1b, Heienhaff
L-1736 Senningerberg
Luxembourg

Tel: +352 269 401
Email: info@atoz.lu
Web: www.atoz.lu

ATOZ
TAX ADVISERS

Contributed by: Romain Tiffon and Marie Bentley, **ATOZ Tax Advisers**

Luxembourg: An Attractive Jurisdiction for Private Wealth Planning

In 2026, Luxembourg's private wealth landscape is characterised by a combination of continuity and targeted evolution, reinforcing its position as a leading jurisdiction for high-net-worth individuals and international investors, both in terms of personal residency relocation and also the structuring of non-resident individuals' wealth. While the Grand Duchy continues to rely on the stability of its core tax framework, recent developments illustrate a clear policy direction toward enhanced compliance, selective tax incentives and increased alignment with international standards.

A first defining feature of this landscape is the continued tax attractiveness for individuals. Luxembourg remains particularly competitive due to the absence of net wealth tax, the non-application of inheritance tax in the direct line and a generally favourable capital gains tax regime.

Alongside this continuity, Luxembourg has introduced targeted tax incentives aimed at mobilising private capital, particularly in support of innovation and economic development. The introduction of a start-up tax credit as from 1 January 2026 provides individual investors with a structured incentive to invest in early-stage companies, thereby facilitating access to financing for innovative businesses. Additional measures, such as the exemption of interest on certain government bonds, further contribute to diversifying investment opportunities for private investors.

Finally, a major development in 2026 lies in the modernisation of the carried interest regime, a key component of Luxembourg's attractiveness for fund managers and private equity professionals. The reform clarifies and expands the existing framework, aligning it more closely with market practice and international standards, while preserving a favourable tax treatment. In particular, it confirms the capital-type character of carried interest and extends the scope of eligible beneficiaries, thereby strengthening Luxembourg's position as a leading hub for alternative investment structures, not only regarding fund domicile but also the residence of executives.

At the same time, this attractiveness is now combined with a clear shift toward transparency and compliance, notably through the implementation of OECD and EU-driven reporting obligations, including DAC8 and DAC9. Luxembourg is therefore increasingly positioning itself not as a jurisdiction competing on opacity, but rather as one offering robust, compliant and predictable legal and tax frameworks.

This dual dynamic is further reflected in the continued use of multi-layered structuring arrangements, which remain central to private wealth planning. Such strategies typically rely on a combination of SPFs, SOPARFIs and investment vehicles (such as SICAVs or FCPs), allowing investors to balance tax neutrality for asset holding, access to treaty benefits and diversified asset management within a coherent structure.

Against this background, the Luxembourg private wealth environment in 2026 reflects a careful balance between stability and adaptation, combining long-standing tax advantages with targeted reforms designed to enhance competitiveness, ensure compliance and support emerging investment trends.

Continuity

Continued tax attractiveness for individuals

As of 2026, Luxembourg continues to distinguish itself as a leading jurisdiction for private wealth structuring, primarily due to the stability and predictability of its core tax framework. The fundamental pillars underpinning its attractiveness remain unchanged. Notably, resident individuals are not subject to net wealth tax, inheritance tax is not levied in a direct line (ie, transfers between parents and descendants), and the capital gains tax regime remains broadly favourable, with exemptions frequently available subject to applicable holding thresholds and conditions.

Importantly, these fundamental pillars have remained unchanged, reflecting a deliberate choice by the legislator to preserve legal certainty and avoid disruptive reforms in the taxation of private individuals. In a global context marked by increased tax harmonisation and heightened scrutiny of cross-border wealth structures, such stability constitutes a key differentiating factor and continues to support long-term wealth planning and inbound structuring strategies.

In this context, Luxembourg's tax environment continues to provide a robust and reliable basis for long-term wealth planning. It supports a wide spectrum of structuring strategies, including intergenerational asset transmission, portfolio investment and cross-border holding arrangements. As such, Luxembourg remains a jurisdiction of choice for high-net-worth individuals seeking both tax efficiency and a high degree of legal certainty, thereby reinforcing its position as a key hub for inbound private wealth structuring.

Continued use of multi-layered wealth structuring arrangements

Private wealth planning in Luxembourg in 2026 continues to rely on the combined use of complementary legal structures, typically including:

- *Sociétés de gestion de patrimoine familial* (SPF), which benefit from a specific tax-exempt regime designed for the passive holding of financial assets;
- *Sociétés de participations financières* (SOPARFI), fully taxable entities offering access to Luxembourg's extensive double tax treaty network and EU directives; and
- regulated or unregulated investment vehicles (such as SICAVs and FCPs), enabling diversification and professional asset management.

Private wealth planning in Luxembourg relies on these complementary structures to combine tax neutrality for asset holding, effective access to treaty benefits, and diversified investment management within a coherent and compliant legal framework.

In this respect, recent legislative developments have confirmed the authorities' intent to preserve the attractiveness of these vehicles while reinforcing their proper use. In particular, the 2025 reform of the SPF regime has introduced targeted adjustments, including an increase of the minimum annual subscription tax from EUR100 to EUR1,000, enhanced supervisory powers, and the introduction of graduated administrative sanctions for non-compliance. While these changes do not alter the fundamental tax neutrality of the SPF, they reflect a clear policy shift toward strengthened oversight and compliance.

New tax incentives targeting private investors

Start-up tax credit: a new opportunity for private investors

Since 1 January 2026, a new tax credit encouraging individuals to invest in young and innovative companies is available for Luxembourg individual taxpayers. This initiative, known as the "Start-Up Tax Credit" aims to boost the country's appeal as a hub for innovation by improving early-stage financing for start-ups.

To qualify for the tax credit, the investor must:

- be an individual Luxembourg tax resident or assimilated non-resident;
- not be an employee or founder of the start-up;
- invest directly in and hold new fully paid-up shares in a start-up entity – investments made through partnerships or businesses do qualify;
- invest at least EUR10,000; and
- hold the shares for at least three years without interruption – if the shares are sold or the company is liquidated within three years, the tax benefit may be revoked, except in cases such as bankruptcy or the investor's death or disability.

The company receiving the investment must qualify as a start-up entity and:

- be a Luxembourg resident company or a permanent establishment of a collective entity established in an EEA member state;
- be less than five years old at the end of the tax year;
- employ fewer than 50 people and have total assets or annual turnover under EUR10 million; and
- be engaged in innovative activities, with at least two full-time contributors and R&D expenses making up at least 15% of operating costs in one of the last three years.

However, certain sectors are excluded, such as law firms, real estate companies, and publicly traded entities.

This measure, aligned with broader EU trends, aims to encourage private capital to support innovation and entrepreneurship. For high-net-worth individuals

(HNWI), it offers a structured and tax-efficient way to participate in early-stage growth companies.

Tax incentives relating to government bonds
Luxembourg has also introduced targeted incentives to promote investment in sovereign debt instruments. In particular, certain government bonds benefit from an exemption of interest income from personal income tax. The exemption of interest income from certain government bonds primarily relates to specific sovereign bond issuances meeting defined statutory criteria, rather than to all public debt instruments.

In practice, this measure has notably been implemented through the introduction, as from the 2026 tax year, of the Luxembourg "Defence Bond", a retail sovereign bond issued by the Luxembourg State. This instrument is characterised by the following key features.

- It is a state-issued bond with a fixed maturity (typically three years) and a fixed coupon (eg, 2.25% per annum for the 2026 issuance).
- It is accessible to retail investors, in tranches of EUR1,000, up to a maximum of EUR150,000 per person and per bank.
- It will be listed on the Luxembourg Stock Exchange and fully repaid at maturity.
- It benefits from Luxembourg's AAA sovereign credit rating, resulting in a low-risk investment profile.
- The bond issued was fully allocated on the retail market in less than a day.

From a tax perspective, the key feature is that interest received by individual investors, resident in Luxembourg investing in a private capacity, is fully exempt from personal income tax, whether under the standard taxation rules or the withholding tax regime applicable to savings income.

This measure aims to enhance the attractiveness of low-risk investment products while encouraging the mobilisation of private capital toward public financing. From a private wealth perspective, it provided investors, particularly high-net-worth individuals, with an additional tax-efficient allocation option within a diversified portfolio, combining capital preservation with favourable tax treatment.

Carried interest: attracting fund managers
Since 2013, Luxembourg has provided a dedicated tax regime for carried interest applicable to individuals who are employees of alternative investment funds (AIFs), managers (AIFM) or AIF management companies. The Law of 3 February 2026 (the "2026 Law") marks a significant modernisation of Luxembourg's carried interest regime, applicable from the 2026 tax year.

Carried interest is a core feature of the private equity and alternative investment industry, functioning as a performance-based remuneration mechanism aligning the interests of fund managers and investors. The reform therefore addresses a strategically important aspect of Luxembourg's financial ecosystem.

This reform must be understood within a broad policy objective: Luxembourg seeks to strengthen its attractiveness as a leading European hub for AIFs while simultaneously ensuring greater legal certainty and alignment with international tax standards. Notably, the reform consolidates the legal position that carried interest retains a capital-type character rather than employment or professional income, providing predictability for taxpayers.

The 2026 regime does not introduce a completely new framework but rather clarifies, expands and refines the rules established under the 2013 AIFM Law, thereby resolving practical uncertainties and adapting the regime to market developments.

Broadened scope of beneficiaries
One of the most significant developments lies in the extension of the personal scope of the regime. Under the previous framework, the regime applied exclusively to employees of AIFM. By contrast, the 2026 Law adopts a broader and more flexible approach.

- The regime now applies to all individuals contributing to the management of an AIF, regardless of employment status.
- This includes partners, directors, consultants and service providers involved in management functions.

The regime is now aligned with industry practice, recognising that carried interest is not limited to formal employment relationships.

Dual structure: contractual vs invested carried interest

A cornerstone of the reform is the confirmation of the distinction between two types of carried interest, each subject to specific tax rules.

Carried interest received as a contractual entitlement (not linked to any investment of any form) – previously taxed at the marginal rate unless certain very specific conditions were met, the 2026 Law introduces a major change: the quarter-rate taxation (¼ of the progressive tax rate) becomes permanent and generally applicable. It is no longer limited to impatriates. In addition, the reform clarifies that taxation occurs only upon receipt, not upon the grant of the right.

This results in a significant strengthening of the regime's tax attractiveness and long-term stability. It also removes uncertainties relating to the potential qualification of the grant of carried interest as a taxable benefit in kind. Finally, the tax rate reform contributes to an overall simplification of the applicable tax framework.

Invested carried interest (ie, where carried interest is linked to an actual investment, either through carry shares, or via contractual rights intrinsically linked to an equity participation in the AIF) – the regime introduces a refined approach based on holding periods:

- If the relevant investment is held for more than six months, the carried interest is exempt from taxation (subject to specific rules such as substantial shareholding provisions).
- Short-term gains (≤ six months) are fully taxable at progressive rates.

This framework creates a strong incentive for long-term alignment between investors and fund managers by favouring sustained holding periods. It also enhances legal certainty and addresses several technical inconsistencies that existed under the previous regime.

Removal of restrictive distribution conditions

The reform abolishes the requirement that investors must recover their full capital before carried interest is distributed. This change:

- aligns with market-standard remuneration models (ie, deal-by-deal distribution models); and
- allows greater flexibility in structuring fund economics.

Exception to the tax transparency principle as a structural innovation

The 2026 Law introduces a limited exception to the tax transparency principle for AIFs, solely for the purposes of applying the carried interest regime. This ensures that:

- the qualification of income as carried interest is no longer affected by the legal form of the fund; and
- the regime applies consistently to both transparent and opaque structures.

This framework enhances Luxembourg's appeal for structuring private equity and alternative investment funds.

DAC8 and enhanced tax transparency

As from 1 January 2026, Luxembourg has implemented the seventh amendment to the Directive on Administrative Cooperation (DAC8), significantly expanding the scope of automatic exchange of information within the European Union. This new framework introduces mandatory reporting and due diligence obligations for crypto-asset service providers, requiring them to collect and report detailed information on crypto-asset transactions and users to the tax authorities, which is subsequently exchanged between member states.

DAC8 is largely based on the OECD's Crypto-Asset Reporting Framework (CARF) and aims to address the challenges posed by the decentralised and cross-border nature of digital assets, which historically limited tax authorities' ability to monitor income and gains derived from such transactions. In addition, the directive broadens existing transparency mechanisms by extending reporting obligations to new categories of financial information, including certain life insurance products and cross-border tax rulings granted to individuals.

Targeted advance cross-border rulings are the ones issued, amended or renewed after 1 January 2026 and where:

- the amount of the transaction or series of transactions of the advance cross-border ruling exceeds EUR1.5 million (or the equivalent amount in any other currency), if such amount is referred to in the advance cross-border ruling; or
- the advance cross-border ruling determines whether a person is or is not resident for tax purposes in the member state issuing the ruling.

From a private wealth perspective, DAC8 represents a further step toward comprehensive tax transparency, reinforcing Luxembourg's transition toward a fully compliant financial centre. While it does not introduce new taxes, it significantly enhances the visibility of asset holdings and investment activities, particularly in the digital asset space, thereby increasing compliance requirements for both intermediaries and investors.

Conclusion

In 2025–2026, Luxembourg has consolidated its position as a stable and strategically adaptive private wealth jurisdiction. The preservation of long-standing tax advantages, combined with targeted reforms such as the start-up tax credit, the exemption for certain government bonds and the modernised carried interest regime, reflects a deliberate policy to enhance competitiveness while ensuring legal certainty.

At the same time, the implementation of DAC8 confirms Luxembourg's commitment to transparency and alignment with international standards. This balanced approach, maintaining continuity while embracing measured evolution, ensures that Luxembourg remains a reliable, compliant and attractive centre for private wealth structuring.

CHAMBERS GLOBAL PRACTICE GUIDES