Mitglieder News

EY: TAX CHALLENGES AND OPPORTUNITIES FOR COMPANIES IN 2019

Tax policy, BEPS and ATAD continue to drive tax challenges – and opportunities – for companies in 2019

- Corporate income tax rates and base broadening trends in 2019
- The impact of BEPS and ATAD-related changes in 2019
- The outlook for digital tax policies and the wider post-BEPS tax framework

Luxembourg, 20 June 2019. The global tax environment in 2019 continues to be uncertain, with controversy on the rise. Disruptions abound and the tax landscape is changing as technological advances bring taxpayers and tax administrations new ways of doing business. Additionally, the base erosion and profit shifting (BEPS) action plan and Europe's Anti-Tax Avoidance Directive (ATAD) both continue to drive significant change across multiple tax areas, while countries continue to search for ways to use their tax rates and base to maintain a competitive stance. At the multilateral level, a new debate is opening on whether fundamental changes to nexus and the allocation of taxing rights will address not only digital challenges but may deliver more fundamental modernization of the international tax system.

Trade policy also continues to disrupt the business landscape, according to the **EY *Outlook for global tax policy in 2019***, which combines insights and forecasts from EY tax policy professionals in 48 jurisdictions worldwide. The *Outlook* covers known and forecast tax changes in each jurisdiction, spanning all key tax types and including specific information on enforcement trends and key audit triggers.

The outlook for Luxembourg

Attracting new investors and companies, developing the activities and income of domestic businesses and guaranteeing Luxembourg's international competitiveness in terms of business taxation while remaining strongly committed to the path of transparency and the fight against tax evasion and tax avoidance are among the key drivers of tax policy in 2019.

In 2019, the provisions of the ATAD, which introduces among other things rules countering hybrid mismatches within the European Union, a limitation to the deductibility of interest expenses and Controlled Foreign Company (CFC) rules, will apply for the first time. The 2019 Budget law introduced some further changes to existing tax laws, notably a decrease of the global nominal corporate income tax rate by 1%, setting it at 17% from this year onwards and an extension of the extra-low VAT rate of 3% to certain goods and services.

However, for the months to come, there will be no rest for the wicked, as the ongoing developments at international and European level will most surely have an impact on Luxembourg's tax environment. Following the adoption of the law approving the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI), Luxembourg deposited its instrument of approval with the Organisation for Economic Co-Operation and Development (OECD). The MLI will thus enter into force for Luxembourg on 1 August 2019, and its provisions will apply in parallel to the double taxation treaties concluded by Luxembourg as from 2020. In addition, it is expected that the law transposing ATAD 2 will be presented to Parliament in the near future. The scope of ATAD will thus be extended to hybrid mismatches involving third countries, and further forms of hybrid mismatches which were not covered by ATAD, will be encompassed as well.

“In 2019, tax authorities (in Luxembourg and worldwide) will have access to more information about taxpayers than ever before”, says Marc Schmitz, Partner in Tax. Mandatory e-filing for corporate income taxes and VAT, the Country-by-Country notifications and reports or the cross-border exchange of information in tax matters are some of the elements that will allow tax authorities to assess a taxpayer's compliance with existing laws and regulations and to improve and pursue tax enforcement measures and activities.

Find out more in the **chapter** dedicated to Luxembourg!

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