

ATOZ ALERT

Luxembourg committed to revitalising the construction sector and the property market with tax measures

20 December 2024

On 19 December, the Luxembourg Parliament passed the 2025 budget law ([bill n°8444](#)) at first reading. From a tax perspective, the 2025 budget law mainly introduces new temporary tax measures, applicable until 30 June 2025, to boost the construction sector and facilitate access to housing in addition to the ones that had already been introduced as per the [Law dated 22 May 2024 introducing various measures to revive the housing market](#) (the “2024 Law”).

The 2024 Law was designed to revive the construction sector, by tackling both economic and structural housing problems with both a structural and a temporary ‘housing’ package of measures currently in force until 31 December 2024.

However, considering the positive indications coming from the sector and in order to not slow down the current recovery in property transactions, the government has also just submitted a new draft law [n°8470](#) (the “**Draft Law**”) to Parliament in order to further extend the temporary tax measures introduced by the 2024 Law.

2025 budget law tax measures

The 2024 Law provides notably that the “Bëllegen Akt” tax credit for the purchase of real estate intended for residential use is increased from €30,000 to €40,000 per individual (or €80,000 for a couple) for property acquisitions documented by notarial deeds between 1 January 2024 and 31 December 2024.

The 2025 budget law adds that, in the event of a purchase of real estate intended for residential use documented by a notarial deed executed between 1 October 2024 and 30 June 2025, a 50% reduction of the taxable basis used for computation of the registration tax and transcription duties will be granted. The request for such reduction must be included in the notarial deed of acquisition.

The 2024 Law also provides for a “Bëllegen Akt” tax credit for investment in rental housing. The amount of this tax credit is set at €20,000 per individual acquirer and applies only to individuals. It is intended solely for sales in future state of completion (*Ventes en état future d’achèvement - VEFA*) documented by notarial deeds executed between 1 January 2024 and 31 December 2024. This tax credit can be used for several acquisitions during 2024 but the cumulative amount cannot exceed €20,000 per individual (or €40,000 for a couple).

The 2025 budget law adds that, in the event of an investment in existing or new rental housing between 1 October 2024 and 30 June 2025, a 50% reduction of the taxable basis used for the computation of the registration tax and transcription duties will be granted. The request for such reduction must be included in the notarial deed of acquisition.

New draft law for an extension of the 2024 Law tax measures

After 31 December 2024, the “Bëllegen Akt” tax credit was supposed to drop back to €30,000 per person for buyers of a primary residence, and the “Bëllegen Akt” tax credit for investors was supposed to end.

However, on 18 December 2024, the Government Council approved and submitted the Draft Law to the Parliament to extend the 2024 Law temporary tax measures for a further six months, initially taken for 2024 only and presented as part of the first package of measures to boost the construction sector.

Taking into account the favorable indications coming from the construction sector, the government is proposing this extension in order to not slow down the current recovery in property transactions.

The temporary tax measures extended concern the following 2024 Law measures:

- the temporary increase of the “Bëllegen Akt” tax credit for individuals;
- the “Bëllegen Akt” tax credit for investment in rental housing;
- the temporary decrease of the capital gains tax rate to a quarter of the global rate;
 - ✓ To maximise the incentive effect of this measure, it is also proposed to maintain the speculation period at two years until 30 June 2025. Indeed, to accelerate the incentive effects of the planned quarter rate measure and to curb speculation, the 2024 Law amends the deadline within which a real estate alienation is considered as speculative and extends it to five years, instead of currently two, as from tax year 2025.
- the increase of the rate and the duration of accelerated depreciation for real estate investments allocated to rental housing; and
- the fiscal neutralisation of non-speculative capital gains transferred to accommodation used for social rental management or belonging to energy performance class A+.

For more information about the 2024 Law measures, please read our previous ATOZ Insights article: [“Law introducing measures for reviving the construction sector: Commentary”](#).

Next steps

The 2025 budget law will now have to await dispensation from the second constitutional vote, which has been requested to the Council of State, before it can be promulgated and come into force. Given that the Council of State had no previous formal objections, dispensation from the second constitutional vote should be granted and the law published in the coming days.

Beneficiaries of the reduction in the tax base who have made acquisitions between 1 October 2024 and the entry into force of the 2025 budget law can send a written request to the competent tax collector with a view to a possible recalculation of the registration tax and transcription duties paid. They will have to sign a declaration accepting the conditions under which the tax reduction was granted.

In addition, once approved by Parliament, the Draft Law shall take effect as from 1 January 2025.

Since the tax measures of the Draft Law are expected to be introduced in the course of the year, beneficiaries will be allowed to request its retroactive application as from 1 January 2025 if they go to the relevant tax office to sign a declaration of acceptance setting out the legal conditions.

We will keep you informed of any further developments in the legislative process in Luxembourg.

Do you have any questions?



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