



UNION DES ENTREPRISES
LUXEMBOURGEOISES

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NEW INVESTMENT TAX CREDIT

A tool to accelerate your company's digital
and environmental transition



This document summarises the tax provisions of the new investment tax credit for companies' digital and environmental transformation activities, as well as the administrative formalities to be completed by companies to benefit from it. This document aims to guide Luxembourg companies in the application and proper implementation of these provisions.

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This document will be updated regularly according to any developments in this area.

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1. CONDITIONS OF APPLICATION

Since 1 January 2024, the scope of the investment tax credit, as provided for in Article 152 bis of the Luxembourg Income Tax Law (“LITL”), has been extended to cover companies' investments and expenses in the digital and environmental transition. For these activities, the rate of application of the measure has been increased to 18% and a new formalism has been introduced in order to benefit from this provision.

The digital and environmental transition represents a major challenge for companies in terms of economic performance and competitiveness. In a constantly changing environment, the new measure is an additional lever to support companies in achieving their objectives in this area.

It should be noted that the conditions for the application of the investment tax credit as in force before 2024 have also been slightly modified on this occasion (i.e., abolition of the tax credit for additional investments and increase in the rate of the credit for overall investment). However, these aspects will not be covered in this brochure.

Eligible activities

The scope of the measure has been extended to investments and expenditure relating to the following activities:



Digital transformation



Ecological and energy transition

The **digital transformation** is defined as the realisation of a process innovation or an organisational innovation by means of the implementation and use of digital technologies, to be assessed within the framework of a holistic approach taking into account the entire activity of the company.

The **ecological and energy transition** is defined as any change reducing the environmental impact, in the production or consumption of energy or the use of resources. The change in question must be significant and technical or material in nature.

Period of application

The new measure is applicable to investments and expenses made from 1 January 2024, for any eligible project. The eligibility period of a project may not exceed more than 3 consecutive operating years from the start of the project. In addition, only the expenses incurred from the time of submission of the application for an attestation of eligibility (see section 3) will be taken into account for the calculation of the applicable tax credit.

Eligibility requirements

To be eligible for this measure, each project implemented within the company must meet at least one of the following objectives:

Digital projects



1. Reshaping in its entirety a production process of the business
2. Implementing an innovative economic model (including circular economy)
3. Significantly reshaping the entire provision of services by the business
4. Significantly transforming the business' organization
5. Substantially enhancing identification and mitigation of the digital risks attaching to the activities of the business

Ecological and energy transition projects



1. Improving the energy efficiency of a production process
2. Improving the material efficiency of a production process
3. Decarbonizing a production process
4. Reducing air pollution from the production site (other than CO² emissions)
5. Producing or storing renewable energy for self-consumption needs
6. Implementing a production process which makes it possible to extend the useful life of products by re-using them

Eligible costs

The investment tax credit is calculated on the basis of investments and operating expenses made as part of a digital transformation project or an ecological and energy transition project.

The list of eligible costs is relatively broad since it covers:



1. investments in tangible depreciable property (other than buildings)



2. Investments in software or patents¹



3. Expenses incurred for the use or concession of the use of patents or software¹



4. Expenditure on consultancy, diagnostic and technical support services provided by external service providers²



5. The expenses and training costs of staff directly assigned to the digital transformation or the ecological and energy transition of the company

The amounts taken into account are net of any state subsidy.

However, the following costs are specifically excluded from the new measure:

- assets that can be depreciated over a period of less than 3 years;
- motor vehicles;
- investments and operating expenses aimed at bringing the company into compliance with the obligations arising from environmental protection legislation and the legal and regulatory provisions applicable to the establishment and operation of industrial and commercial enterprises.

At this stage, the energy renovation of buildings is not eligible for this measure.

¹ other than those acquired/licensed by a related company within the meaning of Article 56 LITL

² that are not related to the normal operating expenses of the business, such as regular tax or legal advisory services, or advertising

Tax advantage

The investment tax credit stands at 18% for investments and operating expenses, except for tangible depreciable investments, which are assigned a rate of 6%. Additionally, a tax credit for global investments applies, which is currently at 12%, up from 8% previously. Therefore, tangible depreciable investments qualify for a combined rate of 18%.

The resulting tax credit is creditable against the income tax due for the tax year in which the investment or operating expense are made. In cases where the tax liability is insufficient, the unused portion of the tax credit can be carried forward for a duration of 10 years.



2. USE CASES

1

Digital transformation



Total cost: EUR 460,000

Duration: 2025 to 2027

Fact : Company A is embarking on a major digital transformation project to strengthen the cybersecurity of its entire business.

Cost Eligibility:

- ☒ Computer equipment: EUR 100,000
- ☒ Security audit: EUR 40,000
- ☒ Solution SaaS / Cloud computing : EUR 60 000
- ☒ Project management staff: EUR 100,000
- ☒ Staff training: EUR 70,000
- ☒ Certification : EUR 30 000
- ☒ Licence renewal: EUR 30,000
- ☒ Replacement of existing equipment: EUR 30,000

Result:

Total Investment Tax Credit
Amount:

$$400,000 \times 18\% \\ = \text{EUR } 72\,000$$



2

Ecological and environmental transition



Total cost: EUR 850,000

Duration: 2023 to 2025

Facts : Company B launches a global ecological transition project to improve the company's energy efficiency (and save at least 20% of energy). Equipment was purchased in 2023 for an amount of EUR 200,000.

Cost Eligibility:

- ☒ Equipments 2024/2025 : EUR 200 000
- ☒ Equipments 2023 : EUR 200 000
- ☒ Diagnostic : EUR 100 000
- ☒ Project staff: EUR 150 000
- ☒ Technical support staff: EUR 100,000
- ☒ Certification : EUR 50 000
- ☒ Improvement of existing activities/ equipment: EUR 25,000
- ☒ Replacement of existing equipment: EUR 25,000

Result:

Total Investment Tax Credit
Amount:

$$600,000 \times 18\% \\ = \text{EUR } 108,000$$

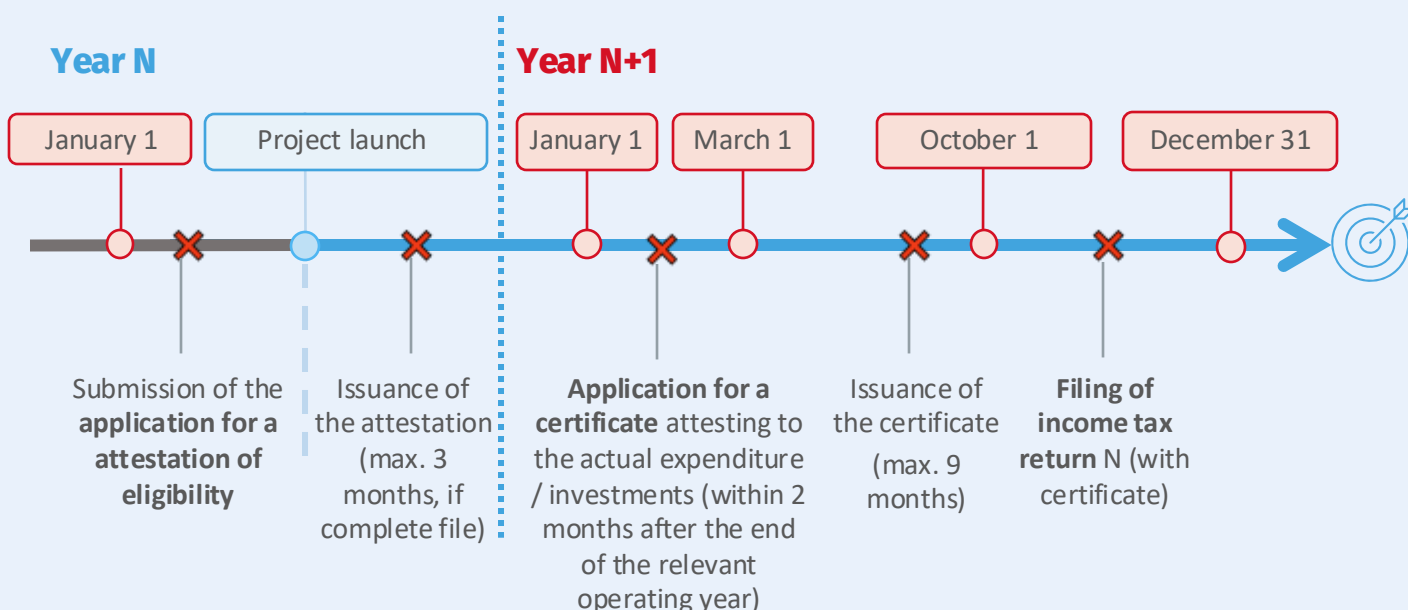


3. PROCEDURE TO BE FOLLOWED

Companies wishing to benefit from the new measure must complete the following formalities:

1. Submission of an application for **an attestation of eligibility** to the ministry of Economy, aimed at obtaining the latter's approval as to the eligibility of the digital transformation and/or ecological transition project implemented. Only the eligible costs incurred by the company from the time of submission of this application may be taken into account for the application of the measure. The application for an attestation of eligibility must be sent to the ministry of Economy on the basis of a dedicated form. The application for an attestation of eligibility is to be submitted to the Ministry of the Economy. The application must be submitted via MyGuichet.lu or the MyGuichet.lu mobile app;
2. Submission of an application for **a certificate** to the ministry of Economy, aimed at attesting to the reality of the investments and operating expenses made during the previous operating year (and in connection with the project for which the company received the certificate of eligibility). On pain of forfeiture, this certificate must be requested by the company no later than two months following the end of the operating year during which the investments and/or operating expenses concerned were made. The application must be submitted to the Ministry of Economy online via MyGuichet.lu or via the MyGuichet.lu mobile app;
3. Filing of the **income tax return** before the end of the following financial year (with the Luxembourg direct tax authorities). The application for the tax credit is made on this occasion and the company must attach the certificate previously obtained from the ministry of Economy.

Chronology in brief



Before submission: expenses are not eligible



Eligible expenses over a maximum of 3 years

4. GOOD TO KNOW

Are projects related to the implementation of a legal or regulatory obligation eligible?

Projects that are intended to simply bring a taxpayer into compliance with a legal or regulatory obligation (e.g., NIS2, DORA) are not eligible for this measure, unless the taxpayer provides evidence that the project goes significantly beyond mere compliance.

What licensing and patent costs are eligible?

Expenses for the use or concession of the use of software or patents granted by a related company are not eligible. Similarly, expenses for software licenses that are not installed and operated in Luxembourg are not eligible.

What is the maximum amount indicated in the attestation of eligibility?

The attestation of eligibility, issued by the ministry of Economy, provides information on the maximum amount of the total costs eligible for the implementation of a project. To be granted a certificate up to the amount set out in an attestation of eligibility, the taxpayer must be able to provide proof that the investments and expenses have been made during the eligibility period. Any costs beyond this ceiling amount will not be taken into account when issuing a certificate.

Is a project started in 2023 eligible?

Yes, if it meets all the conditions of Article 152bis LITL. That said, investments and operating expenses incurred in 2023 (including advance payments) prior to the submission of an eligibility application will not be eligible. In addition, the project will not be able to exceed the remaining two operating years given that the project started in 2023. The end of the eligibility period for the costs incurred will then be December 31, 2025 (if the end of the company's operating year is December 31).

What personnel expenses are eligible?

Eligible personnel costs correspond to the costs of the company's staff directly employed in the implementation of the project, including training time. These personnel costs are calculated on the basis of the gross monthly salary, excluding bonuses, supplements, credit and other benefits, and the employer's social security contributions. Only working hours are taken into account that a timesheet shows that they actually correspond to hours worked on the project, at the average hourly cost calculated on the basis of 173 hours worked per month (for a full-time employee).

What are the eligible staff training costs?

Staff training expenses correspond to the trainer's costs. If the trainer is an internal person of the company, it will then be possible to take into account his gross salary (as calculated above) taking into account the hours of training held. On the other hand, the costs of the company's staff participating in training courses aimed at the use of the tools developed during the roll-out phase are not eligible.





FOR MORE INFORMATION

Official texts:

[Act of 22 December 2023 amending the LITL](#)

[Parliamentary work on Bill No. 8276](#)

[Grand-Ducal Regulation of 27 August 2024 on the certificate to be attached to the income tax return provided for in Article 152bis\(6\) of the LITL](#)

[Grand-Ducal Regulation of 27 August 2024 on the terms and conditions for benefiting from the tax credit for investment in the case of an investment by leasing equipment provided for in Article 152bis\(9\) of the LITL](#)

[Grand-Ducal Regulation of 27 August 2024 amending the Grand-Ducal Regulation of 29 October 1987 implementing Article 152bis\(10\) of the LITL](#)

[Government Decree on the creation of an interministerial advisory committee for the analysis of the eligibility of investments and operating expenses relating to a digital transformation or ecological transition project](#)

Useful information:

Investment Tax Credit – [Guichet.lu](#)

[FAQ](#)

Forms:

[Application for an attestation of eligibility for a digital transformation project](#)

[Application for an attestation of eligibility for an ecological and energy transition project](#)

[Application for an investment tax credit certificate](#)

