

30 MAR 2020

## Luxembourg disallows interest deductions and royalty payments to associates in certain jurisdictions

**# Interest**  
**# Royalties**  
**# Non deductibility**  
**# Luxembourg**  
**# EU list**

A Luxembourg draft law published on 30 March 2020 disallows the deduction of interest and royalty payments to associated enterprises located in currently 12 jurisdictions considered as non-cooperative by the EU.

The list includes notably the Cayman Islands, Panama, and US Virgin Islands.

Certain conditions apply regarding the foreign recipient and the definition of interest and royalties.

The above rules shall not apply if the Luxembourg taxpayer proves that the transaction has valid commercial reasons that reflect the economic reality.

The restriction would be applicable as from 1 January 2021.

We are at your disposal for any assistance.