



Shape the future
with confidence

Unlocking digital value in asset management

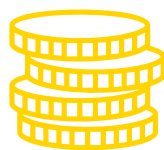
Opportunities powered by
Luxembourg's investment
tax credit

As assets under management continue to rise in Luxembourg and globally, fund managers are being held to higher standards by investors and regulators with tighter margins and increasing regulatory complexity. In this context, digitalization is not only a way to improve efficiency, but a driver for enhanced client experiences, operations at scale and innovation. Artificial intelligence, workflow automation and modern data platforms are becoming the backbone for a resilient operating model. EY's Luxembourg benchmark shows the market moved from 1.6/5 (2022) to 2.3/5 (2024) in digital maturity, a rapid shift toward "advanced". Yet, despite targeted investments, progress remains uneven and operational challenges persist. To help accelerate adoption, close capability gaps and unlock new value, fund managers can benefit from Luxembourg's digital investment tax credit.

Top 5 challenges for fund managers

Legacy systems slow decisions

Fragmented data across old platforms delays reporting and increases operational risk



Cost pressure intensifies

Manual reviews and reconciliations inflate operating costs and reduce scalability

Compliance risk increases

Inconsistent record-keeping and limited audit trails make regulatory breaches more likely

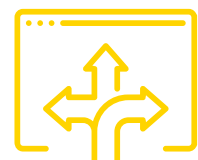


Inadequate investor experience

Slow response times and limited digital interfaces undermine client satisfaction and retention

Operational resilience weakens

Dependence on people-driven processes creates bottlenecks and vulnerability to errors



Top 5 opportunities for fund managers

Productivity gains from automation

Digital workflows reduce manual effort and free teams to focus on higher-value activities



Scalable growth at lower cost

Cloud-based platforms and standardized processes enable managers to scale without proportional headcount increases



Improved client engagement

Modern digital interfaces enhance transparency, speed and personalization, strengthening investor trust and retention

Stronger compliance controls

Real-time monitoring and automated audit trails lower the risk of breaches and remediation costs



Sharper investment insights

AI-driven analytics deliver faster, deeper visibility into portfolios, risks and client behaviors



So what's holding fund managers back from going digital?

Despite recognizing that digital transformation is critical for efficiency, scalability and client experience, many fund managers struggle to finance transformation. Investment often stalls due to conflicting priorities, competition for budget and fragmented strategies.

Did you know Luxembourg offers a digital investment tax credit?

To address these challenges, Luxembourg has introduced an investment tax credit (ITC) to support digital transformation projects. This powerful incentive is designed to ease the cost burden and encourage firms to accelerate investment in digital transformation projects. The regime offers a tax credit for eligible investments (capex) and operating expenses (opex) related to qualifying projects which cover digital transformation, i.e., the development of either a process or organizational innovation that involves the implementation or utilization of digital technologies.

The ITC is calculated on the qualifying amounts invested and operating costs incurred on account of a project that may not exceed three consecutive financial years. If the full tax relief is not used during the year where it is granted, it can be carried forward to reduce corporate income tax for up to 10 years (except for the ITC on software).

What qualifies?

To qualify for Luxembourg's digital ITC, the investments costs and operating expenses must fulfill one of the objectives defined by the law. Qualifying objectives for digital transformation include, for example, significantly redefining the entire range of services provided by a company to create new value for the company's stakeholders, or the entirety of the company's processes in order to substantially enhance the identification and mitigation of digital risks relating to the company's activities.

Qualifying investments and expenses include investments in depreciable tangible assets other than buildings; investments

in software or patents (other than those acquired from related parties); expenses incurred for the use of, or the right to use, patents or software (except if the (right to) use is granted by a related party); fees for consultancy, diagnostic and technical support services that are provided by external service providers and are unrelated to the company's ordinary operating expenses; as well as employee costs and employee training costs in relation to staff directly involved in the company's digital transformation. Investments and operating expenses to bring the company into compliance with obligations arising from environmental protection legislation, motor vehicles and assets with a useful life shorter than three years are expressly excluded.

How can your business claim the tax credit?

Firms must first apply for an attestation of eligibility from the Ministry of the Economy, confirming the planned investments and expenses meet the required criteria. Then, no later than two months after the financial year-end, firms must request a compliance certificate validating the amount of investments and expenses that were made during that year. This certificate, together with a specific ITC form to be filled, must be submitted along with the income tax return. Investments and expenses qualify only if incurred after the submission of the application for the attestation of eligibility and, therefore, timing is key. The ITC reduces the corporate income tax (CIT) liability but does not reduce municipal business tax (MBT) or net wealth tax (NWT).

As the process involves multiple steps and strict timelines, working with a tax advisor can help ensuring accuracy and avoiding delays.

Illustrative Example

Imagine a fund manager makes a €4.25 million investment to develop a product which leverages AI to automate the back-office automation for fund accounting, moving towards a more automated solution leveraging AI, OCR, among others. Below is an illustrative example of how the ITC would apply, subject to validation by the Ministry of the Economy through the attestation and compliance certificate process.

Digital Project Description:	A firm developed a product leveraging AI to automate the back-office automation for Fund Accounting, moving towards a more automated solution leveraging AI, OCR, etc.	
Duration of the Project:	2 years	
Cost & Expenses of the Project		
Initial Project Implementation Cost (External):	3 000 000 €	
Licenses Cost (External):	500 000 €	
Future Product Initiation (External) :	200 000 €	
Firm Project People involved (PM, Process Owners, etc.): prorata of annual gross salary	250 000 €	
Change Management & Training Cost (External):	300 000 €	
Total qualifying cost for the whole Project:	4 250 000 €	
	Year 1	Year 2
	2 250 000 €	2 000 000 €
Total investment tax credit:	765 000 €	
Tax credit available per year	Year 1	Year 2
	405 000 €	360 000 €
Economic impact on the firm's annual result		
Taxable result per year	4 000 000 €	2 000 000 €
Estimated corporate income tax (CIT) at 17.12% per year	684 800 €	342 400 €
Tax credit used per year	405 000 €	342 400 €
After tax credit CIT due per year	279 800 €	0 €
Tax credit remaining available until year n+10	0 €	17 600 €



How EY can help

EY Luxembourg has a dedicated digital transformation team for Wealth & Asset Management industry, bringing expertise across digital maturity, client experience, operations and application modernization. We help firms benchmark their current capabilities, design strategic roadmaps and implement technologies.

In the context of the ITC, we provide end-to-end support. We review projects to assess eligibility and assist in the preparation of the application for attestation of eligibility as well as the requests for certificates at a later stage, and we coordinate with relevant stakeholders to ensure they provide appropriate data and information so they meet the technical and legal requirements.

Finally, we handle the filing process and liaise directly with the Ministry on behalf of clients, ensuring smooth communication and compliance. Beyond the initial approval, we also support annual implementation and monitoring, helping companies track their qualifying investments, maintain proper documentation, and maximize available tax benefits year after year.

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All in to shape the future with confidence.

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