

Luxembourg Tax Alert

About your 2018 Luxembourg tax return and 2019 tax card

28 January 2019

The 2018 tax return season has started! The tax authorities announced recently that the 2018 tax return forms will be available for download on their website as of 4 February 2019.

Married couples as well as non-resident taxpayers will need to consider for the first time the tax measures introduced by the 2017 tax reform. Please refer to our tax alerts dated 28 July and 6 October 2017, or our website.

For these taxpayers, it is time to have a look at their situation in order to complete a correct tax return:

Non-resident married taxpayers

As a non-resident married taxpayer you fall by default under the tax class 1 and are considered as single. Depending on your salary level and situation, you may be required to file a tax return.

If you, as a non-resident taxpayer, have met the conditions to be assimilated to resident taxpayers and were granted tax class 2 with a global tax rate on your 2018 tax card, you have a mandatory Luxembourg tax return filing obligation. Moreover, you are obliged to report the global income of your household (incl. foreign income) as well as the related personal tax deductions.

Based on this return, your final Luxembourg effective tax rate will be calculated. This may result in:

- Additional taxes payable in case (i) the global tax rate applied on your 2018 tax card was not accurate (e.g. if during the year 2018 your salary increased) or (ii) you no longer meet the conditions for tax class 2 and tax liability will be recalculated based on tax class 1.
- Refund of taxes in case your final effective tax rate is lower than the one on your 2018 tax card (e.g. because of higher personal tax deductions and/or in case the estimated income reported for the global tax rate estimate was lower than expected).

In case you did not yet opt for the application of tax class 2 and should you meet the required conditions, you could still request this resident assimilation and application of tax class 2 in your 2018 tax return, which should be ideally filed before 31 March 2019¹. In this case you would need to report your global household income and personal deductions.

Married couples - joint versus individual taxation

For married couples and full year 2018 registered partners, being resident or non-resident (provided that you opt for resident assimilation – see above) it is now time to make your final and irrevocable choice.

As married couple, you would file, by default, a joint tax return. As of income year 2018, you may now also opt to file an individual tax return, either pure or with income reallocation:

- If you made your choice during 2018 and you want to keep this choice, no further action is required, apart from filing your 2018 tax return aligned with your choice.
- If you did not yet make a choice during 2018 and you would still want to apply for an individual taxation, either pure, or with income reallocation, OR if you would like to change your choice made during 2018, you will have to file either a request on guichet.lu, a paper request, or your 2018 individual income tax return **before 31 March 2019**.

In case you file the request before 31 March 2019 (via guichet.lu or paper), and your 2018 individual income tax return later on, please keep in mind that your choice made in the request will be irrevocable, meaning that your 2018 individual income tax return should be aligned with your choice.

If no request for an individual taxation is made before the said date, a default joint tax return will be applied. Any request for an individual taxation made after 31 March 2019 will not be considered.

2019 Tax card

Finally, the Luxembourg tax authorities started to send out the 2019 tax card. You should know that:

- In case you had a global tax rate applied in 2018, this same rate will appear on your 2019 tax card. We recommend to review whether this rate is still accurate for 2019.
- Until receipt of the new tax card, employers may apply the 2018 tax card.
- In case you do not receive your new tax card by mid-March 2019, we advise you to inform this omission to the RTS tax office.

¹ A filing of the tax return later on in 2019 may be possible according to the current administrative practice/tolerance.

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