Luxembourg Tax Alert

Coming soon…New tax treaty between Luxembourg and France: 29 days rule

19 March 2018

On Friday 16 March 2018, the Luxembourg Ministry of Finance announced that a new double tax treaty with France will be signed in the upcoming days that will modernize the 60-year-old agreement between the two countries.

Based on the statement of the ministry, the aim of the treaty is to include treaty provisions that reflect the latest OECD standards.

Among other changes, the ministry announced that new provisions would be introduced as to the personal income tax treatment of French residents who work in Luxembourg and also have their employer based there. Based on the tolerance rule, **French residents would remain taxable in Luxembourg on their total employment income provided their working days outside of Luxembourg would not exceed the total amount of 29 days per year.**

It is worth noting that similar rules are already applicable to Belgian (24 days) and German (19 days) cross-border workers who have their employer in Luxembourg. By introducing a similar rule for French resident employees, the cross-border workers will now be treated (almost) equally.

Although the text of the treaty will be completely reshaped, time will tell what practical benefits it will bring for cross-border employees.

Further newsletters on this topic will follow soon.

Your contacts

Raymond Krawczykowski
Partner | Tax Leader
Tel: +352 45145 2500
rkrawczykowski@deloitte.lu

Pierre-Jean Estagerie
Partner | Global Employer Services
Tel: +352 45145 4940
pjestagerie@deloitte.lu

Marleen Vandenput
Director | Global Employer Services
Tel: +352 45145 4216
mavandenput@deloitte.lu

Francisco Da Cunha
Director | Global Employer Services
Tel: +352 45145 2132
xmartinezaldariz@deloitte.lu

Deloitte Luxembourg
560, rue de Neudorf
L-2220 Luxembourg

Tel: +352 451 451
Fax: +352 451 452 401
www.deloitte.lu

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