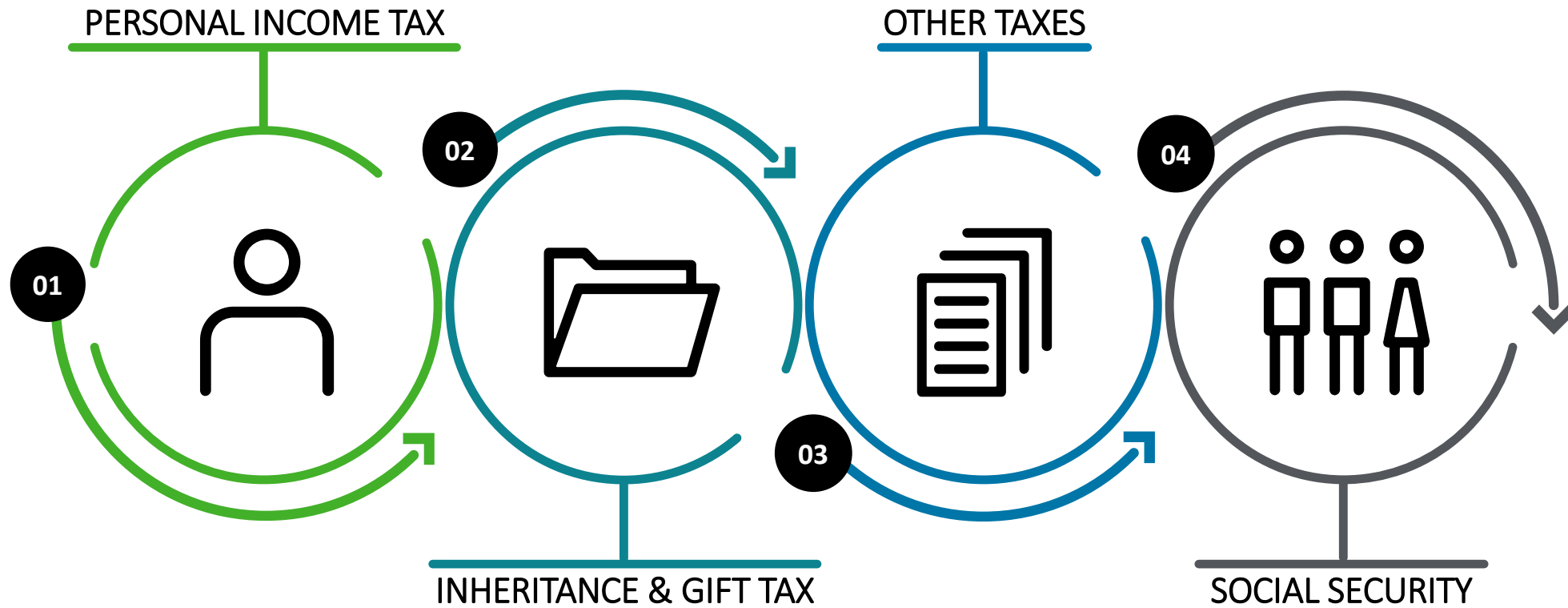


Premium

Luxembourg Individual Tax Guide 2023





PERSONAL INCOME TAX



INHERITANCE & GIFT TAX



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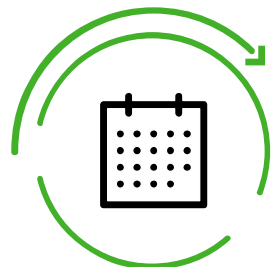
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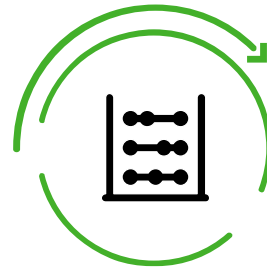
Filing status

- Married individuals, joint taxation.
- Individuals linked by a legal partnership can opt for joint taxation (provided certain conditions are met).
- In general, married taxpayers are subject to joint taxation. However, they can also elect to be taxed separately (choice to be made before **31 December 2023** at the latest for CY 2022 individual tax returns).
- As of 2018, non-resident married taxpayers are by default subject to tax class 1 (single). They may elect to be taxed in tax class 2 (married couples) if certain conditions are met and in such case they are obliged to elect for the assimilation to resident, file a resident tax return reporting their worldwide income.



Tax year

The tax year corresponds to the calendar year.



Categories of taxable income

- Employment income
- Self-employment income
- Dividends and interest
- Capital gains and other miscellaneous income
- Pensions and annuities
- Rents and royalties
- Business income, agricultural and forestry income



General filing due dates

The filing deadline for CY 2022 individual tax returns is set at **31 December 2023**, aligning the filing deadline for both corporations and individuals.

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Tax rates 2023

%	€	%	€
0	0 - 11,265*	41	150,001 - 200,004
8 - 39	11,265 - 100,001	42	from 200,005**
40	100,002 - 150,000		

Surcharge for employment fund: 7% for income not exceeding €150,000 (€300,000 for couples taxed jointly), and 9% for income above these amounts.

Highest tax rate including surcharge: 45.78% (salary above €200,004). For couples taxed jointly, the marginal tax rate applies as from €400,008.

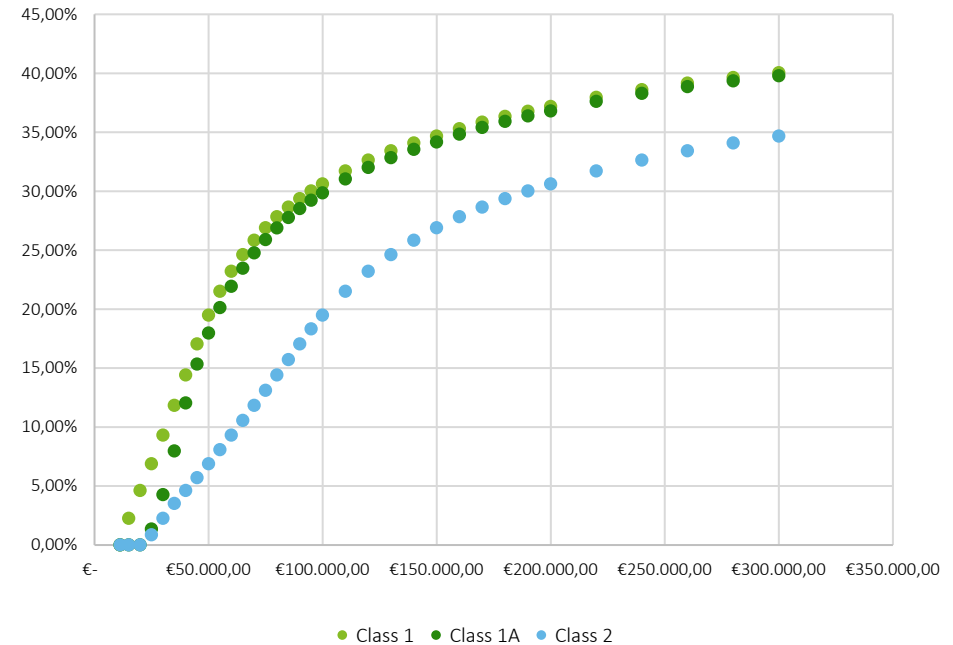
* Exempt tax band for single taxpayers. For couples taxed jointly, the exempt tax band is €22,530.

** Application of the marginal tax rate for single taxpayers. For couples taxed jointly, the marginal tax rate applies as from €400,008.

As **from 1 January 2023**, **single taxpayers** with dependent child(ren) are entitled to a tax credit of **maximum €2,505** if the taxpayer's annual adjusted taxable income remains below €60,000.



Point Your Average Tax Rate



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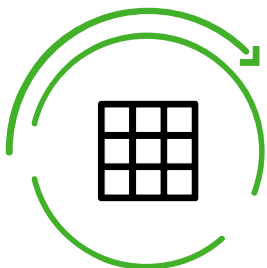
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Special in-patriate tax regime (ITR)



The aim of the favorable tax regime is to attract foreign, skilled workers to Luxembourg by providing significant tax savings for both in-patriates and employers.

To benefit from this regime, both the in-patriate and the employer would have to meet various conditions. Since 1 January 2021, this regime is included in the Income Tax Law. The law provides some modernization and legal provisions to govern the in-patriate tax regime.

However, the existing regime end of CY 2020 remains applicable to employees who arrived before 1 January 2021, and who do not meet all the conditions of the new regime. This does not apply to in-patriate workers whose tax regime ended, for one reason or another between tax years 2016 through 2020.

As from 1 January 2023, the minimum salary threshold with the ITR is reduced to an annual gross fixed salary of €75,000 (instead of €100,000 until CY 2022).

Example	Gross Income	Relief under ITR	Taxable Income
Base Salary	200,000	0	200,000
Relocation	15,000	15,000	0
Housing	36,000		
Home Leave	5,000	60,000	61,000
Tax Equalization	80,000		
School Fees	28,000	28,000	0
In-patriation Premium	60,000	<u>30,000</u>	<u>30,000</u>
Total (in €)	424,000	<u>133,000</u>	<u>291,000</u>



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Participative Premium

The “prime participative” is a way for Luxembourg employers to pay variable remuneration to their employees. This remuneration model allows employers to grant such a premium to some or all their employees, based on the employer's financial results (i.e., profits) if certain conditions are met at the level of both the employee and the employer.

The prime participative benefits of a 50% personal income tax exemption in Luxembourg and remains subject to social security contributions.

To benefit from it, criteria to be met are:

- The employer needs to make a profit to be able to distribute up to 5% of such profits to its employees through the prime participative considering they also keep a regular accounting during the year of grant as well as the previous one.
- The beneficiary employee has to be affiliated on a compulsory basis to the Luxembourg social security (or to a foreign social security scheme covered by bi- or multilateral social security instrument).
- The prime participative cannot exceed 25% of the employee’s gross ordinary annual remuneration (excluding cash, in-kind benefits, bonuses, premiums, etc.).

As from 1 January 2023, groups of companies that are part of a fiscal unity may upon option election assess the 5% threshold limit on an aggregated basis, rather than on a standalone basis. The position can change year-by-year.

PRIME PARTICIPATIVE PROFIT-SHARING BONUS

New way for Luxembourg employers to pay variable remuneration to their employees.

50%

The Prime Participative benefits of a 50% personal income tax exemption in Luxembourg.



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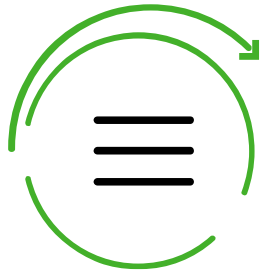
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Allowances/deductions

Category	Amount
Debit interest	€672 / year and per member of the household
Contribution to individual pension scheme / Pan-European Pension Product	€3,200 / year and subscriber
Alimonies (per divorced spouse)	€24,000 / year
Alimonies children	€4,422 / year for each child (as from 2023)
Charitable contributions	The lowest between €1,000,000 or 20% of the household's taxable income
Home savings scheme	€1,344 / year for subscriber aged between 18 and <41 years, in any other cases €672 / per member of the household
Mortgage Interest on Main residence	From €1,000 to €2,000 / year and per member of the household
Childcare and Housekeeping costs	€5,400 / year



Reimbursement for business trips

- **Mileage:** €0.30/driven km
- **Lodging and meals:** refund of actual costs engaged or lump-sum compensation (varying according to the country)



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Long-term capital gains

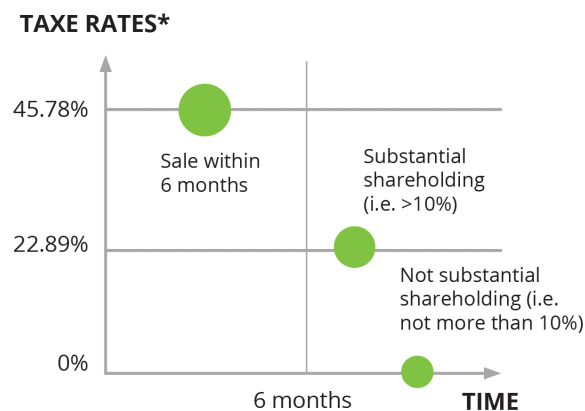
Securities (>6 months)	if participation ≤10%: exempt if participation >10%: 1/2 tax rate
Real estate (>2 years)	1/2 tax rate

First €50,000 of long-term taxable gains (€100,000 for couples taxed jointly) in a 11-year period: exempt

Short-term capital gains

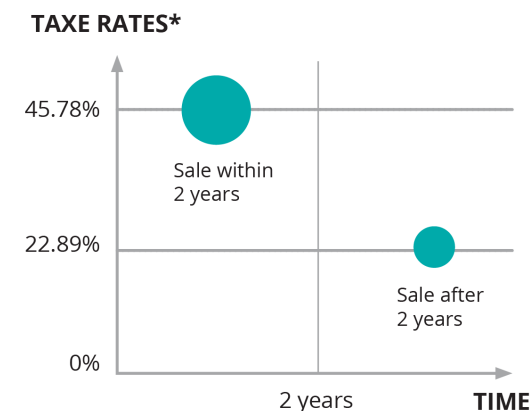
Securities and any other movable property (≤6 months)	full tax rates
Real estate (≤2 years)	full tax rates

FINANCIAL ASSETS



*excluding 1.4% dependence contribution & allowances

REAL ESTATE



Opportunity:

- A “step-up” in basis application may be available for individuals upon transfer of residence to Luxembourg.

More Real Estate specificities:

- Capital gain on the sale of the taxpayer’s principal residence can be tax exempt (under conditions).
- Capital gain on property sold to the Luxembourg State can be tax exempt (under conditions).



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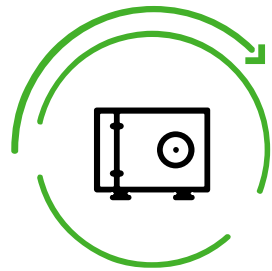
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Investment Income

	Interests under Relibi Law	Interests out of Relibi Law	Dividends art.115-15a LITL	Dividends out of art.115 15a LITL
		↓	Exemption of 50 % of gross income	↓
20% final taxation	General exemption of EUR 1,500 (doubled for couple filling jointly)			
	Deduction of lump-sum cost of EUR 25 (doubled for couple filling jointly) or actual costs			
= TAXABLE BASIS				



Rental Income

Rent charged
/ Loan Interest
/ Building depreciation
/ Other deductible expenses
= TAXABLE BASIS

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Rented out Real Estate

Accelerated depreciation rate / depreciation rate in case of energy renovation



Accelerated depreciation rules: 6% per year during 6 years.

Accelerated depreciation & more:

- Reduction of the accelerated depreciation rate from 6% to 4% per year, and from maximum 6 years to 5 years.
- A new personal income tax allowance may apply under certain conditions representing up to 1% of the depreciable basis of eligible real estate properties – the allowance is capped at €10,000 per tax year.
- 6% per year for real estate already benefitting from such depreciation rule before 2021 (with a maximum of 6 years) (i.e., “Grandfathering clause”).
- 6% per year on capital expenditure incurred in eligible renovated rental properties (governmental energy program) completed for less than 9 years from 1 January of the tax year.



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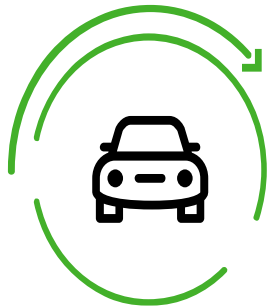


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Personal income tax

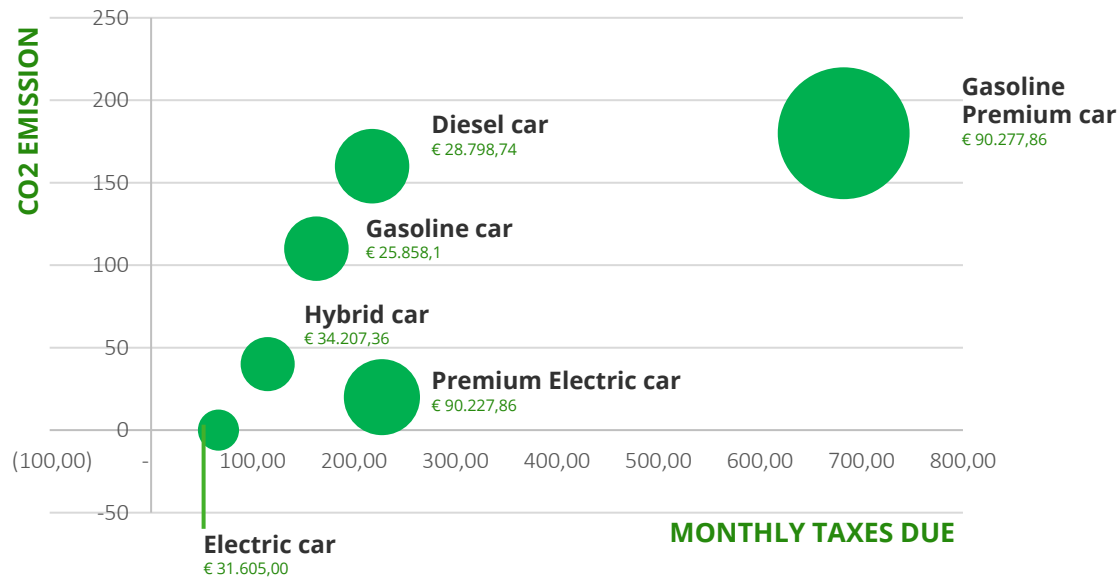


Imputed income for personal use of company car

Tax reform of May 2022 brings new rules for the Benefit in Kind valuation. The reform includes a transitional period starting in January 2023 and ending in December 2024.

For 2023, the percentages to determine the Benefit in Kind are from 0.5 to 1.8% (VAT and options included), depending on the carbon emission and type of fuel used for company cars. Future tax adjustments are expected.

DRIVE SMART AND BE SMARTER ON YOUR TAX!



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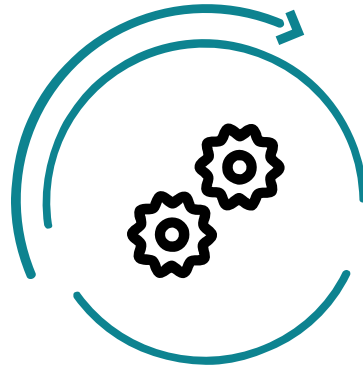
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Inheritance & gift tax



No inheritance tax
in direct line



Rates for other
degrees:
0% to 48%



Gift tax:
rates between
1.8% and 14.4%



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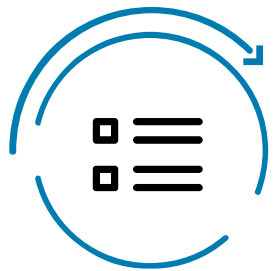
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VAT

- Standard rate: 16 %
- Intermediary and Reduced rates for some goods and services: 13%, 7%, 3%
- The super reduced VAT 3% applies to photovoltaic installation from 1 January 2023



Municipal business tax

- Varies by municipality, e.g., 6.75% for Luxembourg city



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Social security



Wage earners / Independents Manual and non manual activity

Coverage	Wage earner %	Employer %
Sickness ^{1,2}	2.8/3.05	2.8/3.05
Pension ¹	8.00	8.00
Accident ⁵	–	0.75
Mutual insurance ^{1,3}	–	0.72 to 2.84
Health at work ¹	–	0.14
Dependence ⁴	1.40	–
Total	12.20/12.45	12.41 to 14.78

- Contributions computed on a yearly gross remuneration capped for both employee and employer to an annual ceiling of €150,494.16 (cost of living index 921.40 in force in April 2023), tax deductible.
- Rate varying depending on the nature of the remuneration (base salary, benefits in kind, etc.).

Coverage	Independents %
Sickness ¹	6.10
Pension ¹	16.00
Accident ⁵	0.75
Mutual insurance ^{1,3,6}	0.72 to 2.84
Health at work ⁶	0.14
Dependence ⁴	1.40
Total	25.11 to 27.23

- Wage earners - Manual and non-manual activity
Depends on the average rate of absenteeism.
- Not capped, not tax deductible.
- Risk factor : 1 - subject to a bonus-malus factor.
- Optional contribution.



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Our GES practice



Julien Lamotte

Partner

jlamotte@deloitte.lu

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