



Individual tax alert

Belgium

Belgian-Luxembourg cross-border workers: update on Governmental joint statement

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The [Individual Tax Alert of 10 February 2015](#) covered the intra-governmental meeting held in Brussels on 5 February 2015 with regard to the joint statement between Belgium and Luxembourg on cross-border employment situations.

On 16 March 2015, the Luxembourg and Belgian governments signed [an informal agreement](#) on the application of article 15 of the Double Tax Treaty concluded between Luxembourg and Belgium which deals with employment income taxation.

With retroactive effect and as of 1 January 2015 onwards, the informal agreement includes a 24-day tolerance period regarding taxation of days physically worked outside the State of employment. This will have an impact on taxation of cross-border employment situations for Belgian and Luxembourg tax residents.

Taxation of employment income before 1st January 2015

Before 1 January 2015, a Belgian resident employed by a Luxembourg company was taxable in Luxembourg for days worked physically on its territory, and in Belgium for any other day worked abroad.

Taxation of employment income after 1st January 2015

From 1 January 2015 onwards, a Belgian resident employed by a Luxembourg company will remain taxable in Luxembourg on his/her entire employment income provided he/she works less than 25 days outside Luxembourg during a calendar year.

Conversely, should the employee work 25 days or more abroad during a calendar year, the remuneration in relation to these non-Luxembourg working days will become taxable in Belgium.

Documentary evidence

The supporting documentation to be provided to ascertain the physical presence of an employee in the territory of one State will depend on the nature of his/her activity. When the activity requires the presence of the employee at the place of work, the simple presentation of an employment contract would, under the informal agreement framework, be considered legitimate proof; the employee's functions and the place where the duties are exercised would have to be mentioned therein.

Moreover, it is interesting to note that under certain conditions, taxpayers will be able to bring forward proofs gathered during a recent year as documentation of their physical presence for previous years.

Detailed information to follow

Further explanation, especially with regard to documentary evidence, will be reported in a “Vademecum” which should be published before April 2015 by Belgian and Luxembourg tax authorities.

Therefore, the above is subject to the final wording of the “Vademecum”. An Individual Tax Alert will be sent out to ensure coverage on any further developments.

Compensation

For the sake of completeness, it has also been decided to increase the lump-sum financial compensation granted by Luxembourg to Belgium to EUR 30 million. This would compensate the loss suffered by Belgian municipalities bordering Luxembourg due to cross-border employment. Such compensation amount will be updated every 3 years.

Contacts

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