

Luxembourg impatriate tax regime



Aim of the regime

The aim of this favourable tax regime is to attract foreign, skilled workers to Luxembourg by providing significant tax savings for both impatriates and employers. This regime initially put in place in January 2011 through Circular LIR n°95/2, was amended on 21 May 2013 and on 27 January 2014 in a favourable way.

A summary of the conditions¹

The regime applies to impatriates coming to Luxembourg, i.e.

- Employees who are part of an international group and who are assigned to a Luxembourg office of the group
- Employees directly recruited abroad

General conditions for impatriate	Additional conditions to be met	
	In case of an intra-group assignment	In case of a recruitment
Qualify as 'impatriate'	Have at least 5 years of seniority in the international group/sector concerned	
Become tax resident in Luxembourg (based on domestic tax law)	Employment relationship exists between sending company and employee	
Not have been a Luxembourg tax resident / lived at a distance lower than 150 km from the Luxembourg border/professional income subject to Luxembourg income tax in the previous five years	The secondee must be granted the right to return to the home company	Have acquired in-depth specialisation in a sector or profession characterised by difficulties of recruitment in Luxembourg
Undertake the local employment as the primary employment and pass on knowledge to local personnel	Contractual arrangement exists between the home and host companies with respect to secondment	
Earn a minimum yearly base salary of €50,000 and must not replace a non-impatriate employee		

¹The conditions and definitions in the circular are detailed and we have listed brief highlights here - to determine if the regime could be applicable to your organisation and to discuss the details, please contact us.

Employer conditions - the Luxembourg entity must employ or commit to employ at least 20 full-time employees in the mid-term. If the entity has been in existence for at least 10 years, the maximum percentage of employees benefiting from the regime cannot exceed 30% of the total number of employees.

The regime applies without prior agreement of the Luxembourg tax authorities. In terms of procedure, the employer is required to provide a report of the employees benefiting from the special regime at the latest by 31 January every year. In case of non-resident employers are not required to withhold wage withholding tax on salaries and do not opt to do it on a voluntary basis, the individual is required to file a Luxembourg income tax return.

The good stuff

If the conditions are met, it is possible to obtain tax relief for certain expenses which fall under the following categories:

Expense	Details/limitations	
Relocation	Includes costs of moving to Luxembourg and repatriation at end of secondment, as well as costs to make home suitable to live in (defined in circular) and costs for emergency travel	
Rent/utilities	Amount of tax exempt depends on whether a home is maintained in the home country or not	
Home leave trips	One trip per year per family member	Combined costs subject to an overall cap
Tax equalisation	Costs associated with the difference in taxes between Luxembourg and the home country	
School fees	Deduction available for primary and secondary education	
Lump sum for recurring expenses	To cover cost of living allowances and miscellaneous expenses associated with expatriation, the allowance is again subject to a cap	

The impatriate can benefit from the regime for up to five calendar years following the year of arrival, provided the conditions continue to be met.

Figures

An example of the tax relief that an impatriate married with two children and with a typical impatriate package can get in the year of arrival in Luxembourg:

	Gross income	Relief available under regime	Taxable income	Annual tax saving from regime
Salary	200,000	0	200,000	
Relocation	30,000	30,000	0	
Housing	36,000			
Home leave	5,000	60,000	61,000	
Tax equalisation	80,000			61,493
School fees	28,000	28,000	0	
COLA/lump sum	24,000	24,000	0	
Total (€)	403,000	142,000	261,000	

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How Deloitte can help

Service	Description
Assessment of eligibility	Initial assessment to establish whether the regime can apply for a particular impatriate or not
Analysis and recommendations	Design/Amendment of the impatriate package and contractual arrangements to ensure that the conditions set by the Circular are met, and to maximise savings available through the regime
Salary	Perform hypothetical calculations to determine the impact on the savings on the impatriate package
Assistance with payroll	Assistance with the payroll to ensure a correct reporting of the impatriate package and applicable tax reliefs
Annual reporting	Preparation of annual report to the tax authorities, including verification / confirmation that the conditions continue to be met

Why Deloitte?

Choosing Deloitte to work with you to implement the impatriate tax regime will mean a proactive reaction to the legislation. Having a deep knowledge and experience of international mobility and foreign impatriate regimes, we are a step ahead in the understanding of the specifications of this regime.

By working with us, you will be able to quickly make decisions about how to best implement the regime in relation to your impatriate population. Your impatriate will be informed about any implications on their personal tax affairs.

Rely on us to manage this change, maximise the potential savings and enhance your impatriate program.

The Global Employer Services department is a dedicated team of highly skilled tax professionals providing comprehensive consultancy and compliance services in the area of individual taxation and social security. Our solid knowledge of local and international regulations, combined with our wide experience of individual engagements and issues allow us to serve our clients in a tailored, responsive and added-value manner. Being an active member of the global GES network present in more than 100 countries, we have a unique expertise of cross-border matters and multi-jurisdictions engagements and are able to deliver our services with an entirely borderless approach.

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