

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%

Other taxes

VAT

- Standard rate: 17 %
- Reduced rates for some goods and services: 14%, 8%, 3%

Municipal business tax

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

Social security

Wage earners – Manual and non manual activity

Coverage	Wage Tax earners	
Sickness ^{1,2}	2.8/3.05	2.8/3.05
Pension ¹	8.00	8.00
Accident ¹	–	1.00
Mutual insurance ^{1,3}	–	0.51 to 3.04
Health at work ¹	–	0.11
Dependence ⁴	1.40	–
Total	12.20/12.45	12.42 to 15.20

- 1 Contributions computed on a yearly gross remuneration capped for both employee and employer to an annual ceiling of €115.377,84 (cost of living index 775.17); tax deductible
- 2 Rate varying depending on the nature of the remuneration (base salary, benefits in kind, etc.)
- 3 Depends on the average rate of absenteeism at the employer
- 4 Not capped; not tax deductible

Independents

Coverage	%
Sickness ¹	6.10
Pension ¹	16.00
Accident ¹	1.00
Mutual insurance ^{1,3}	0.51 to 3.04
Dependence ²	1.40
Total	25.01 to 27.54

1 Contributions computed on a yearly gross income capped to an annual ceiling of €115.377,84 (cost of living index 775.17); tax deductible

2 Not capped; not tax deductible

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Individual Pocket Tax Guide 2016 Luxembourg



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Personal income tax

Filing status

- Single
- Married, filing jointly: the income of husband and wife and their children under age eighteen are aggregated for tax purposes. Separate filing is not allowed
- Joint taxation of married couples of the same sex as from the tax year 2015
- Declared domestic partners: under certain conditions joint taxation possible upon request

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

Tax year

The tax year corresponds to the calendar year.

Tax rates 2016

%	€
0	0 – 11,265*
8 – 39	11,265 – 100,000
40	from 100,000 on**

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: 42.80% respectively 43.60% for the part of the taxable income exceeding €150,000 (€300,000 for couples taxed jointly).

* 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 €200,000

A temporary tax of 0.5% (due on professional, replacement capital income) has been introduced as from 1 January 2015.

Taxpayers with dependent children are entitled to a tax credit of €922.50 per child, payable monthly (i.e. 76.88 per month) with family allowances, state scholarship or volunteer's allowance or upon request at the end of the tax year.

Special expatriate's tax regimes

An expatriate tax regime directed at highly skilled mobile employees came into effect on 1 January 2011.

The legislation applies to new expatriates coming to Luxembourg from 1 January 2011.

In order to benefit from the regime, a number of conditions must be met by the employer and the employee – doing so can result in significant tax savings.

The expat regime that is in place since January 2011 has been updated per 1 January 2013 and 1 January 2014. The conditions have been relaxed.

General filing due dates

Income tax returns are due until 31 March following the end of the year. According to the current practice, late filing not exceeding a couple of months is not fined.

Allowances/deductions

- Insurance premiums for life, death, accident, sickness, disability, third-party liability: max. €672 per member of household
- Contributions to individual pension schemes: from €1,500 to 3,200 per taxpayer
- Alimonies paid to divorced spouse: max. €24,000
- Alimonies paid to children: max. €3,480 per child

- Charitable contributions: max. €1,000,000 or 20% of taxable income; min. €120
- Mortgage interest on principal residence: from €750 to €1,500 per member of household, depending on length of occupation
- Contributions to home saving and loan schemes: max. €672 per member of household
- Debit interest (on private loans, credit cards, debit bank accounts): max €336 per member of household
- Abatement for childcare and housekeeping costs: max. €3,600 per year

Interest and dividends

- Tax-free allowance: €1,500 (€3,000 for jointly taxed spouses)
- 50% exemption: on certain dividends paid by capital companies resident in the EU or in treaty countries
- 10% flat taxation: on interest paid by a Luxembourg paying agent or, upon request and under conditions, by a foreign paying agent

Capital gains

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

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)

Imputed income for personal use of company car

1.5% of the gross list price (VAT and options included) or actual cost of private use (evidence by logbook).