

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 ⁵	–	0.80
Mutual insurance ^{1,3}	–	0.41 to 2.79
Health at work ¹	–	0.11
Dependence ⁴	1.40	–
Total	12.20/12.45	12.04 to 15.15

Independents	
Coverage	%
Sickness ¹	6.10
Pension ¹	16.00
Accident ⁵	0.80
Mutual insurance ^{1,3}	0.41 to 2.79
Dependence ⁴	1.40
Total	24.63 to 27.49

- 1 Contributions computed on a yearly gross remuneration capped for both employee and employer to an annual ceiling of €125.385 (cost of living index 814,4); 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
- 5 Subject to a bonus-malus factor

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Handy Tax Luxembourg Individual Pocket Tax Guide 2019

April 2019

Personal income tax

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 March N+1 at the latest).
- 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.

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 2019

%	€	%	€
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

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.

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

- Debit interest (on private loans, credit cards, debit bank accounts); insurance premiums for life, death, accident, sickness, disability, third-party liability: max. €672 per member of household
- Contributions to individual pension schemes: max €3,200 per taxpayer
- Alimonies paid to divorced spouse: max. €24,000
- Alimonies paid to children: max. €4,020 / year per child
- Charitable contributions: max. €1,000,000 or 20% of taxable income; min. €120
- Tax deduction for home saving schemes: from €672 to €1,344, if not yet 40 years old
- Mortgage interest on principal residence: from €1,000 to €2,000 per member of household, depending on length of occupation
- Abatement for childcare and housekeeping costs: max. €5,400 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
- 20% 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

From 0,5 to 1,8% (VAT and options included) depending on the carbon emission and type of fuel used for company cars.