

Luxembourg Tax Alert

2017 Individual Tax Reform – Non-resident taxpayer and individual taxation: new adjustments

28 July 2017

During the press conference held by the Luxembourg government on 27 July 2017 on the tax reform applicable as of 1 January 2018, new adjustments on the non-resident tax regime and the individual taxation were confirmed. The new measures aim at more flexibility in the application of the new regime both for non-residents and individual taxation.

1. Non-resident tax payer

As a reminder, as of 1 January 2018 non-resident taxpayers will be taxed as follows:

- By default, non-resident taxpayers fall under tax class 1 (single)
- However, non-resident taxpayers can opt for a tax class 2 if 90% of the taxpayer's worldwide income is taxable in Luxembourg
- Opting for tax class 2 implies (i) the application of a global effective tax rate (calculated based on the household's worldwide income) and (ii) the obligation to file a tax return reporting their household's worldwide income (assimilation to a Luxembourg resident)

NEW:

- o If the taxpayer has other net income which is non-taxable in Luxembourg, this would NOT be considered for the 90% calculation, up to an amount of €13,000
- o This means that an individual who earned less than 90% of his worldwide income in Luxembourg could still benefit from a tax class 2 if his net income not taxable in Luxembourg is less or equal to €13,000
- o Example:
 - Luxembourg taxable income: €75,000 and income not taxable in Luxembourg: €11,000
 - Total worldwide income: €86,000 => taxable in Luxembourg: 87%
 - As < 90% of worldwide income taxable in Luxembourg => principle: tax class 1
 - Based on new measure: still tax class 2 as non-taxable income < €13,000

The government also announced that:

- An online calculation tool will be made available to help the non-resident taxpayers in the calculation of these thresholds
- The tax authorities will start sending communication to non-resident taxpayers as of September 2017 to collect the necessary information

2. Individual taxation

As of 1 January 2018, both resident and non-resident married taxpayers have the possibility to opt for an individual (pure or with reallocation) taxation, instead of being taxed jointly. The applicable tax class will depend on the choice made.

Initially announced, the taxpayers needed to communicate their choice and as such the applicable tax class by 31 December of 2017 for the tax year 2018, at the latest. The option was non-revocable for the taxpayers and required a projection on future income that could be subject to change during the year.

To provide more flexibility and to acknowledge that personal situations may change during the year, taxpayers can now communicate their choice either:

- Before 31 December 2017, or
- During the year 2018, or
- In January, February, and March 2019 at the latest.

For more information, do not hesitate to contact our team. We will be happy to assist you.

You will find all the information relating to the [2017 tax reform on our dedicated webpage](#).

Your contacts

Raymond Krawczykowski

Partner | Tax Leader

Tel: +352 45145 2500

rkrawczykowski@deloitte.lu

Pierre-Jean Estagerie

Partner | Global Employer Services

Tel: +352 45145 4940

pjestagerie@deloitte.lu

Marleen Vandenput

Director | Global Employer Services

Tel: +352 45145 4216

mavandenput@deloitte.lu

Deloitte Luxembourg

560, rue de Neudorf

L-2220 Luxembourg

Tel: +352 451 451

Fax: +352 451 452 401

www.deloitte.lu

Deloitte is a multidisciplinary service organisation which is subject to certain regulatory and professional restrictions on the types of services we can provide to our clients, particularly where an audit relationship exists, as independence issues and other conflicts of interest may arise. Any services we commit to deliver to you will comply fully with applicable restrictions.

Due to the constant changes and amendments to Luxembourg legislation, Deloitte cannot assume any liability for the content of this leaflet. It shall only serve as general information and shall not replace the need to consult your Deloitte advisor.

About Deloitte Touche Tohmatsu Limited:

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/lu/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte has in the region of 200,000 professionals, all committed to becoming the standard of excellence.

© 2017 Deloitte General Services

Designed and produced by MarCom at Deloitte Luxembourg