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Our solid knowledge of local and international regulations, combined with our wide experience, allow us to serve our clients in a tailored, responsive and value-added manner.

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Luxembourg Tax Alert

29 January 2014



The scope of the circular on the impatriate tax regime is extended to companies established in the EEA

On 27 January 2014, the Luxembourg Tax Authorities issued a new tax circular L.I.R. n° 95/2 on the impatriate tax regime (the "New Circular").

The New Circular mainly aims at extending the scope of employees who may benefit from the favourable tax regime. Employees (working in Luxembourg) for the benefit of companies established within the EEA are now eligible to the regime; i.e. tax exemptions on benefits that employers typically provide to impatriates (e.g. relocation, housing, cost of living allowances, school fees, etc.). The New Circular also includes other minor modifications linked to the extension of the scope. Those modifications are summarised in the table below.

The New Circular replaces tax circular L.I.R. n° 95/2 of 21 May 2013 and is in force with retroactive effect as at 1 January 2014.

	As from 1 st January 2014	Before
Definition of "impatriates"	Impatriates mean employees who are part of an international group and who are seconded to a Luxembourg company of the group.	Impatriates mean employees who are part of an international group and who are seconded to a Luxembourg company of the group.
	Employees directly recruited abroad by a Luxembourg company <i>or by a company established in another EEA Member State.</i>	Employees directly recruited abroad by a Luxembourg company.
Conditions for employers	Maximum of 30% impatriate employees can benefit from the regime. This condition only applies to companies that <i>have been in existence</i> for 10 years or more.	Maximum of 30% impatriate employees can benefit from the regime. This condition only applies to companies that <i>have been established in Luxembourg</i> for 10 years or more.

	The company must employ or commit to employ in the medium term at least 20 employees working full time.	The company must employ or commit to employ in the medium term at least 20 employees working full time <i>in Luxembourg</i> .
Conditions for employees	Undertake the local employment as primary employment and pass on knowledge to local personnel.	Undertake the local employment as primary employment and pass on knowledge to local personnel <i>in order to boost the Luxembourg economy</i> .
	Earn a base salary of at least EUR 50.000.	Earn a base salary of at least EUR 50.000 <i>in Luxembourg</i> .
Procedure	By 31 January of each year at the latest, the employer is required to provide a report of the employees benefiting from the special regime <i>In case 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.</i>	By 31 January of each year at the latest, the employer is required to provide a report of the employees benefiting from the special regime

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