

Temporary tax to balance state budget – Circular issued by the Luxembourg tax authorities

Luxembourg Tax Alert

As of 1st January 2015, a temporary tax to balance the state budget “TTBSB” (“impôt d’équilibrage budgétaire temporaire”) of 0.5% has been introduced by the Luxembourg tax legislation and applies to all the categories of income received by individuals in Luxembourg. This tax is at charge of the individuals.

1. Scope and basis

Assessment basis Income	Is the taxpayer subject to the Luxembourg mandatory social security regime?	
	If Yes => TTBSB paid via social security authorities (CCSS)	If No => TTBSB paid via tax authorities (ACD)
Employment income	<ul style="list-style-type: none"> Total net income¹ 	<ul style="list-style-type: none"> Net income¹ taxable in Luxembourg
	<ul style="list-style-type: none"> Includes foreign taxable income 	<ul style="list-style-type: none"> Excludes foreign income exempted based on double tax treaty or other international agreement
	<ul style="list-style-type: none"> Abatement equal to minimum social salary (i.e. EUR 1,922.96/month) 	<ul style="list-style-type: none"> No abatement applicable
	<ul style="list-style-type: none"> Payment by employer via social security invoices 	<ul style="list-style-type: none"> Payment by employer via special form (980)² if payroll or by employee via annual tax return if no payroll
Directors' fees	<ul style="list-style-type: none"> Same rules as salary except : (i) abatement equal to 3/4 of minimum social salary (i.e. EUR 1,442.22/month) and (ii) payment by the director himself 	<ul style="list-style-type: none"> Payable if withholding tax is not final
Other professional income (business, self-employed, agricultural)	<ul style="list-style-type: none"> Same rules as salary except payment by the individual 	<ul style="list-style-type: none"> Same rules as salary

Replacement income (pension, unemployment benefits)	<ul style="list-style-type: none"> • Unemployment benefits follow same rules as salary. • Pensions follow specific rules depending of the nature of pension (i.e. legal pension, employer pension scheme, private pension scheme).
Income from capital (not linked to social security affiliation), i.e. investment income, rental income, capital gain.	<ul style="list-style-type: none"> • Cumul of positive net categories of income (excluding exempted income) • No abatement applicable • Paid via annual income tax return (form 100) • Applicable to both residents and non-residents

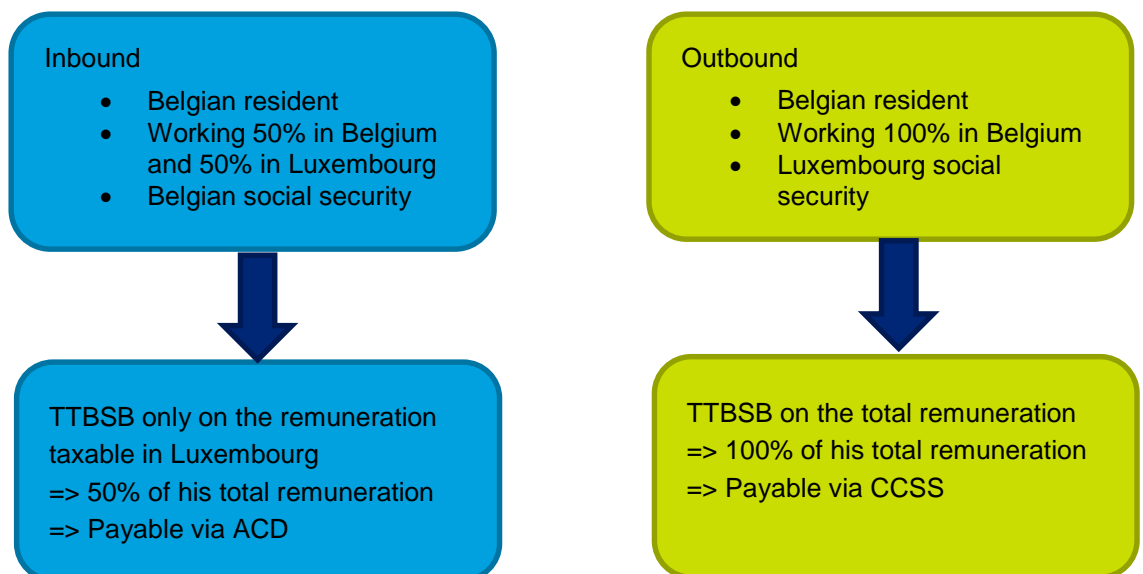
¹ Net income subject to temporary tax:

- Gross income
- (-) Abatement (if applicable)
- (-) Income related expenses lump-sum (EUR 540) or actual costs
- (-) Commuting costs (frais de déplacement)
- (-) Foreign taxable income (if applicable and if not affiliated to Luxembourg social security).

² Due on monthly basis (quarterly or annual basis under conditions) and to be reported on payslip.

2. Practical considerations

- In case of joint taxation (i.e. spouses, partners, minors child), the temporary tax is calculated on their cumulative positive income.
- An annual amount of temporary tax established by the Luxembourg tax authorities below EUR 25 is considered as nil (amount not doubled in case of joint taxation).
- Income subject to final withholding tax are not impacted by the temporary tax (i.e. 10% final withholding tax on interests, 20% withholding tax on employer's contribution to an occupational pension scheme, 20% final withholding tax on directors' fees).
- Practical example – inbound/outbound Belgium/Luxembourg:



Please feel free to contact us should you have any questions relating to the temporary tax.

Your contacts

Raymond Krawczykowski

Partner | Tax Leader

Tel/Direct: +352 451 452 500

rkrawczykowski@deloitte.lu

Estagerie Pierre-Jean

Partner – Global Employer Services

Tel/Direct: +352 454 940

pjestagerie@deloitte.lu

Vandenput Marleen

Director – Global Employer Services

Tel/Direct: +352 451 454 216

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.

© 2015 Deloitte General Services

Designed and produced by MarCom at Deloitte Luxembourg