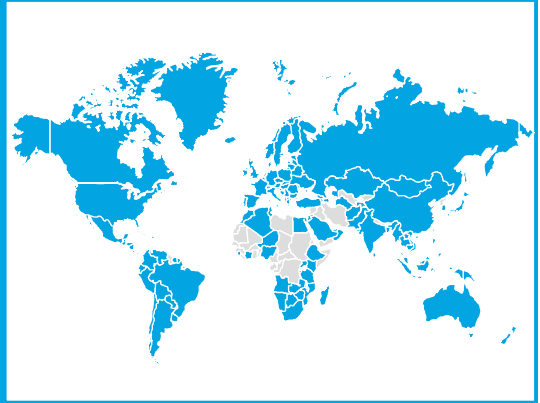


EXPATRIATES

Luxembourg

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

An individual is considered tax resident in Luxembourg provided that he maintains his domicile (deemed to exist if an individual has a permanent home available to him that he actually uses and intends to maintain) or normal abode (deemed to exist if an individual's stay is for more than 6 consecutive months) in Luxembourg.

A Luxembourg resident is taxable on his/her worldwide income. Foreign income is subject to reliefs according to applicable tax treaties or the internal law.

A Luxembourg non-resident is taxed on his/her Luxembourg source income only. The income is subject to progressive tax rates with a minimum rate of 15%, however, when progressive rates applied to the taxable income increased by the tax exempt band show an average rate of less than 15%, this alternative minimum rate applies. Employment income as well as retirement annuities are however not subject to a minimum rate.

Luxembourg non-residents deriving at least 90% of their total income from Luxembourg (and Belgian residents deriving more than 50% of their professional income from Luxembourg) are, upon request, taxed as if they were residents. They are taxed at the rate which would have applied had they been residents and were subject to tax on their entire Luxembourg and foreign income. The benefit of this regime is to enable non-residents to benefit from the same tax reliefs as Luxembourg residents.

Luxembourg can tax income earned while the employee was still a resident in Luxembourg even if his/her earned income is paid at a later date (i.e., stock options, variable pay).

In principle, the Luxembourg tax filing deadline is March 31 of the year following the income year. However, currently the Luxembourg tax authorities accept a few months late filing without applying any penalties.

BREAKING RESIDENCY - EXIT PROCEDURES

There are no specific tax exit procedures in Luxembourg. The individual shall merely deregister with the local authorities in Luxembourg.

If applicable, an A1 document or Certificate of Coverage should be applied for when the individual remains subject to the Luxembourg social security scheme.

A European Health Insurance Card should be applied for at the sickness fund to be able to receive urgent medical care abroad.

A S1 document should be applied for at the sickness fund to get full medical coverage in the country of assignment.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

Income Tax Rates

Tax rate	Type of income	REMARKS
Up to 45.78%	Employment income, pension income, interest and dividends, rental income, capital gains, business profits	Including Employment Fund surcharge
15%	Withholding tax on dividends distributed by fully taxable Luxembourg resident companies Creditable against final income tax due	If dividends are paid to a Luxembourg non-resident, the 15% withholding tax is generally creditable against the income tax due in the residence country
20 %	Withholding tax on directors' fees paid by a company resident in Luxembourg	The 20% withholding tax is final for non-residents provided the director has no other Luxembourg source professional income and the total directors' fees earned do not exceed EUR 100,000 per annum

The Luxembourg income tax law offers tax deductions/reliefs to non-residents: mandatory social security contributions, alimonies for children outside the household, lump-sum deductions and tax credit for bearing children.

In case Luxembourg non-residents opt to be treated as residents, the Luxembourg income tax law offers the following tax deductions/reliefs: reliefs for single parents, for childcare and housekeeping, for extraordinary charges and deductions for insurance premiums, debit interest, mortgage interest, home savings and loan schemes, private old age pension schemes, charitable contributions, alimonies to divorced spouse.

There is no wealth tax for individuals in Luxembourg.

Social Tax Rates

Tax rate	Employee's part	EMPLOYERS' PART
Sickness	2.80% - 3.05%	2.80% - 3.05%
Pension	8.00%	8.00%
Accident	-	1.00%
Mutual insurance	-	0.51% to 2.92%
Health at work	-	0.11% (or specific sectorial contributions)
Dependence	1.40%	-
TOTAL	12.20% - 12.45%	12.67% - 15.08%

An employee is, in principle, liable to pay social security contributions as a percentage of the gross remuneration.

Compulsory social security contributions are tax deductible. Social security contributions are capped to an annual income ceiling which amounts to EUR 119,915.16 as at 1st January 2017. Dependence insurance is not capped and not tax deductible.

For further information and to register for future updates contact expat@bdo.global

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