

INPATRIATES Luxembourg

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

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

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

Luxembourg has a favorable taxation regime for some benefits in kind (e.g. free housing, company car, qualifying stock options, etc.).

Individuals assigned to Luxembourg can benefit from the special inpatriate tax regime. If conditions are met, it is possible to obtain a tax relief for certain expenses that are borne by the employer and that are in connection with the inpatriation (such as relocation expenses, school fees, cost of living differential, rent/utilities, home leave, tax equalization costs).

Inbound assignees who do not qualify for the special inpatriate tax status and who perform duties outside Luxembourg, could consider implementing a salary split.

Deferred compensation schemes can be set up subject to certain conditions. Stock options offered by a foreign employer are preferably granted before the assignment to Luxembourg as taxation may occur at grant (if transferable options).

Nonresident Withholdings

When the salary of non-residents remains to be paid by the foreign employer and the latter has no permanent establishment in Luxembourg, there is no obligation to withhold wage withholding tax.

REGISTRATION / FORMALITIES

The employers of non-EU nationals are usually required to apply for a work permit prior to the employee taking up employment in Luxembourg.

A residence permit must also be obtained to allow the expatriate to live in Luxembourg. Where the expatriate's spouse and family relocates to Luxembourg, relevant visas and separate work permits (where the spouse will also work) will be required. Where the expatriate is an EU national the above procedure is usually not required.

If applicable, an A1 document or Certificate of Coverage should be applied for when you remain subject to a foreign social security scheme.

A European Health Insurance Card should be applied for at the sickness fund of the home country to be able to receive urgent medical care in Luxembourg.

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

Registration at the local authorities in Luxembourg is required upon arrival.

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
20%	Final withholding tax on interest income (on savings accounts, term deposits or e.g. bonds) paid by a paying agent established in Luxembourg to Luxembourg residents Creditable against final income tax due	Individual taxpayers resident in Luxembourg may opt for the 20% flat tax on interest income paid by a paying agent established in the EEA. A specific declaration must be filed before 31/03 following the calendar year
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	Resident taxpayers must submit a tax return whenever their income includes directors' fees whose amount exceeds EUR 1,500

The Luxembourg income tax law offers tax reliefs for bearing children, for single parents, for childcare and housekeeping, for alimonies (to children outside the household), for extraordinary charges and tax deductions for insurance premiums, debit interest, mortgage interest, home savings and loan schemes, private old age pension schemes, charitable contributions, alimonies to divorced spouse, and some lump-sum deductions.

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	-	0.80%
Mutual insurance	-	0,41% to 2,79%
Health at work	-	0.11% (or specific sectorial contributions)
Dependence	1.40%	-
TOTAL	12.20% - 12.45%	12,12% - 14,75%

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 124,266 as at 1st January 2019. 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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