

TAX

TAXATION OF INDIVIDUALS

2024 - LUXEMBOURG

Now, for tomorrow





TAXATION OF INDIVIDUALS

2024 - LUXEMBOURG

TAX CLASSES

RESIDENTS

		Without children	With dependent children	> 64 years old
Single		1	1A	1A
Married		2	2	2
Partner*		1	1A	1A
Divorced / Separated	> 3 years	1	1A	1A
	< 3 years	2	2	2
Widowed	> 3 years	1A	1A	1A
	< 3 years	2	2	2

*Upon joint request, partners (with partnership and common residence on all year) can benefit from tax class 2, after the end of the year, by filing a joint tax return.

NON-RESIDENTS

		Without children	With dependent children	> 64 years old
Single		1	1A	1A
Married	Without tax assimilation	1	1	1
	With tax assimilation*	2	2	2
Partner**		1	1A	1A
Divorced / Separated	> 3 years	1	1A	1A
	< 3 years	2	2	2
Widowed	> 3 years	1A	1A	1A
	< 3 years	2	2	2

* Upon joint request and subject to the conditions of the tax assimilation, spouses can obtain a personalised tax rate calculated in tax class 2 on household worldwide income. In such a case, the filing of a joint tax return is mandatory.

** Upon joint request and subject to the conditions of the tax assimilation, partners (with partnership and common residence on all year) can benefit from tax class 2, after the end of the year, by filing a joint tax return.

INDIVIDUAL TAXATION

Upon joint request, spouses/partners - resident or non-resident - can opt for individual taxation on their own income. They are then ranked in tax class 1, each benefiting from half the tax deductions/allowances, and are no longer jointly liable for the tax owed by the other spouse/partner.

TAX RATES

	Marginal tax rates		
	42.80% including the employment fund contribution of 7% <i>Applicable to the taxable income (€)</i>	44.69% including the employment fund contribution of 9% <i>Applicable to the taxable income (€)</i>	45.78% including the employment fund contribution of 9% <i>Applicable to the taxable income (€) ≥</i>
Tax class 1	110,600 to 165,600	165,650 to 220,750	220,800
Tax class 1A	110,600 to 165,600	165,650 to 220,750	220,800
Tax class 2	220,850 to 331,200	331,250 to 441,550	441,600

AVERAGE TAX RATES*

Taxable Income (€)	Tax class 1	Tax class 1a	Tax class 2
30.000	7.91 %	2.57 %	1.49 %
60.000	21.24 %	19.86 %	7.91 %
90.000	28.07 %	27.15 %	14.79 %
120.000	31.57 %	30.88 %	21.24 %
150.000	33.82 %	33.27 %	25.34 %
180.000	35.54 %	35.08 %	28.07 %
210.000	36.84 %	36.45 %	30.02 %

* Including the employment fund contribution of 7% or 9%.

SOCIAL SECURITY RATES

	Employee's part	Employer's part
Pension insurance*	8%	8%
Health insurance*	3.05%	3.05%
Dependence insurance**	1.40%	n/a
Health at work*	n/a	STI : 0.13 % - STM : 0.14 %
Accident insurance*	n/a	0.70%***

Mutualité des employeurs	Employee's part	Employer's part ****
Class 1 (absenteeism rate < 0.65%)	n/a	0.01%
Class 2 (absenteeism rate < 1.60%)	n/a	0.01%
Class 3 (absenteeism rate < 2.50%)	n/a	0.42%
Class 4 (absenteeism rate ≥ 2.50%)	n/a	1.36%

* The contributions are levied up to the annual ceiling of €154,255.68 (index 944.43 as of 01.01.2024).

** The dependence insurance is levied at a fixed rate of 1.40% computed on the gross salary (without ceiling) after deduction of a monthly allowance.

*** Single rate of 0.70% multiplied by a bonus / malus factor depending on the benefits related to accident at work received during an observation period.

**** Rate reduction to compensate for the 3rd index-linked tranche in 2023.

TAX RELIEF FOR DEPENDENT CHILDREN

Tax relief of €76.88 / month or €922.50 / year per dependent child granted as follows:

Children qualifying for family allowances purposes	Tax bonus paid by the CAE to the beneficiary of the family allowances
Children not qualifying for family allowances purposes	Tax relief through the filing of a tax return / annual tax adjustment
Resident student pursuing higher education studies	Tax bonus included in the financial aid granted by the State
Non-resident student pursuing higher education studies	Tax bonus included in the financial aid granted by the CEDIES or Tax relief through the filing of a tax return / annual tax adjustment

BENEFITS IN KIND

HOUSING

Taxable BIK: amount of rent paid by employer, unless rent paid exceeds market price. In the latter case, the taxable BIK corresponds to the rent for a comparable housing or, failing that, 75% of the rent paid by the employer.

COMPANY CAR (USED FOR PRIVATE PURPOSES)

- Monthly BIK set at a flat rate (from 0,5 % to 1,8 % multiplied by the acquisition price of the new car - options and VAT included) according to the CO₂ emission rate.
- Additional taxation at the time of the repurchase by the employee if, at the time of the repurchase, the market value of the car exceeds the repurchase price paid by the employee.

2023 Scale						
✓ Vehicles ordered and registered in 2022 ✓ Vehicles registered between 01.01.2023 and 31.12.2024 ✓ Vehicles ordered until 31.12.2024 and registered until 31.12.2025						
CO ₂ emission according to WLTP standard	Non diesel engine (sole or hybrid)	Diesel engine (sole or hybrid)	Hydrogen engine	100% electric engine		
				a)	b)	If a) and b) not applicable
				≤18kWh / 100km	≤20kWh / 100km & propulsion system ≤ 150Kw	
0 g / km	-	-	0.5 %	0.5 %	0.5 %	0.6 %
>0-50 g / km	0.8 %	1.0 %	-	-	-	-
>50-80 g / km	1.0 %	1.2 %	-	-	-	-
>80-110 g / km	1.2 %	1.4 %	-	-	-	-
>110-130 g / km	1.5 %	1.6 %	-	-	-	-
>130-150 g / km	1.8 %	1.8 %	-	-	-	-
>150 g / km	1.8 %	1.8 %	-	-	-	-

INTEREST SUBSIDY

Taxable BIK corresponds to the nominal amount of the interests borne by the employer.

Tax exemptions applicable:

- Mortgage loans related to the taxpayer's private home: €3,000 / year (tax class 1) or €6,000 / year (for single-parent families and jointly taxable spouses).
- Other loans: €500 / year (tax class 1) or €1,000 / year (for single-parent families and jointly taxable spouses).

Interest subsidy are exempted from social security contributions.

LUNCH VOUCHERS

Nominal value	€10.80		€15.00	
Tax exemption	€8.00	€8.00	€12.20	€12.20
Employee's personal contribution	€2.80	€0	€2.80	€0
Employee taxable BIK	€0	€2.80	€0	€2.80

Total social security exemption.

SPECIAL TAX REGIME FOR IMPATRIATES

Luxembourg has an attractive tax regime for impatriates (highly qualified employees coming from abroad). The aim of this favorable regime is to help Luxembourg companies to attract qualified personnel by exempting certain benefits granted to these employees because of their installation in Luxembourg.

Main conditions:

- Base gross remuneration: at least €75,000 per year
- In the previous 5 years:
 - Not to have resided in Luxembourg
 - Not to have resided within 150 km of the border
 - Not to have been subject to personal tax on professional income
- Regime applicable up to a maximum of 30 % of the total workforce for companies that have existed for more than 10 years

Duration of the regime: 8 years

Expenses borne by the employer	Tax exemption
Moving expenses to LXG, exceptional travels due to family circumstances and moving costs for final return to home country	Exemption based on invoices
Accommodation costs (all or part depending on whether or not the impatriate keeps his former residence in home country)	Exemption cannot exceed:
Cost for an annual trip from LXG to home country for the employee and his family	✓ Neither €50,000/year (€80,000 /year if impatriate lives in LXG with his spouse)
Tax equalization (differential tax burden between LXG and home country)	✓ Nor 30% of the fixed annual salary
Additional school fees due to school's change	Exemption based on invoices
Impatriation allowance ≤ 30% of the impatriate's annual salary (excluding benefits in kind or in cash): lump-sum allowance paid by the employer due to the cost of living differential between LXG and home country	Exemption of 50%

PROFIT-SHARING BONUS

Employers can grant their employees (or a category of employees) a profit-sharing bonus, based on the company's profit. The bonus benefits from a tax exemption of 50% subject to certain conditions, in particular:

- Total amount of the profit-sharing bonus must not exceed 5% of the positive result of the last closed accounting period (or the positive result made by the group of companies forming a fiscal unit in Luxembourg)
- Profit-sharing bonus must be limited to 25% of the beneficiary's fixed annual salary (excluding benefits) for the current year

WITHHOLDING TAX RATES

DIVIDENDS

Withholding tax of 15% on the gross amount (or 17.65% on the net amount if tax borne by debtor company).

INTEREST

Paid by Luxembourg bank to Luxembourg resident

Final withholding tax of 20% on most interest.

Paid by foreign bank to Luxembourg resident

Possibility to opt for the final withholding tax of 20%, upon request via form 931.

Paid by Luxembourg bank to non-resident

No withholding tax but automatic exchange of information to country of residence's tax authorities.

DIRECTOR'S FEES

Withholding tax of 20% on gross amount (or 25% on net amount if tax borne by debtor company).

VAT 17% required by circular n°781 of 30.06.2016, temporarily suspended by circular n°781-1 of 22.12.2023.

Liable to social security contributions as self-employed (unless exemption due to insignificant income).

CAPITAL GAINS

CAPITAL GAIN ON DISPOSAL OF SHAREHOLDING / LIQUIDATION BONUS

Capital gain corresponds to the difference between the sale price and the acquisition price reassessed.

	Shareholding held for a duration ≤ 6 months	Shareholding held for a duration > 6 months
≤ 10% shareholding in the company's capital	Taxation at the ordinary progressive rates (max. 45.78%) + insurance contribution (1.4%)	Exemption
> 10% shareholding in the company's capital (significant shareholding)	Taxation at the ordinary progressive rates (max. 45.78%) + insurance contribution (1.4%)	- Taxation at the ½ global rate (max. 22.89%) + insurance contribution (1.4%) - Allowance of €50,000 (doubled for the spouses / partners jointly taxable)*

*Common allowance applicable to capital gains on disposal of significant shareholding and to capital gains on disposal of real estate renewable every 10 years.

CAPITAL GAIN ON DISPOSAL OF REAL ESTATE

Capital gain corresponds to the difference between the sale price and the acquisition price reassessed.

	Real estate held for a duration ≤ 2 years *	Real estate held for a duration > 2 years *
Main residence	Exemption	
Other real estate	Taxation at the ordinary progressive rates (max. 45.78%) + insurance contribution (1.4%)	- Taxation at the 1/4 global rate (max. 11.45%) + insurance contribution (1.4%) - Allowance of €50,000 (doubled for spouses / partners jointly taxable)**. - Additional allowance of €75,000 if the capital gain is realized on sale of a property inherited in direct line and if the property was the parent's residence.

* Holding period increased to 5 years from 2025

** Common allowance applicable to capital gains on disposal of significant shareholding and to capital gains on disposal of real estate renewable every 10 years.

INCOME RELATED EXPENSES

	Annual lump sum
Income related expenses for employees	€540
Travel expenses (depending on the distance home / place of work)	€0 to €2,574
Income related expenses for retired individuals	€300
Expenses related to income from movable income	€25 ⁽⁰¹⁾

DEBT INTEREST PAID ON THE MAIN RESIDENCE

	Max. annual deductible amount
2 years preceding the date on which the taxpayer may occupy the building	Unlimited
Year on which the taxpayer may occupy the building + 5 years	€4,000*
Subsequent 5 years	€3,000*
Following years until the end of the mortgage contract	€2,000*

* Draft Grand Ducal Regulation in progress

TAX DEDUCTIBLE SPECIAL EXPENSES

	Max. annual deduction
Lump sum	€480 ⁽⁰²⁾
Real expenses in place of the lump sum of €480	
Debt interest and insurance premium (e.g. life, death, accident, disability, sickness, civil liability) taken together	€672 ⁽⁰³⁾
Single death insurance premium - Ceiling of €672 increased of:	€6,000 + additional increase according to age and number of dependent children
Insurance premium for daily allowance in case of work incapacity (for self-employed) - Ceiling of €672 increased of:	€1,500 ⁽⁰⁴⁾
Housing savings contributions (according to age of subscriber on 1 st January)	€1,344 (from 18 to 40 years old) €672 (other cases) ⁽⁰³⁾
Premiums paid under an old-age pension scheme	€3,200
Alimony paid to ex-spouse	€24,000
Expenses in addition to the lump sum of €480	
Social security contributions (dependance insurance excluded)	No ceiling
Contributions paid to Mutualité des employeurs (voluntary registration of self-employed / assisting spouse for the work incapacity risk)	No ceiling
Personal contributions to a supplementary pension scheme (company)	€1,200
Eligible donations (minimum amount: €120 / year)	20% of the net income or €1,000,000
Losses carried forward	Under conditions
Complementary pension plan for self-employed	20% of annual net income*

* Determining net annual income: gross income - operating expenses

TAX DEDUCTIBLE EXTRAORDINARY CHARGES

	Max. annual deduction
Allowance for expenses related to support of children not living in the taxpayer's household (e.g. alimony)	€4,422 per child ⁽⁰⁵⁾
Allowance for housekeeping and childminding expenses	Lump sum of €5,400 or Real expenses (deduction according to own taxable income and family situation)
Allowance for certain types of costs (e.g.): - cost for support of close relatives - medical costs - divorce costs - funeral costs	Real expenses (deduction according to own taxable income and family situation)

TAX EXEMPTIONS

	Maximum exemption
Overtime for employees having not the higher ranking status	Base salary + salary supplement
Sunday / public holiday / night work	Salary supplement
Professional travel expenses with private car (travels home / place of work excluded)	Maximum €0.30 / km
Dividends*	50%
Movable income	Maximum €1,500 / year ⁽⁰¹⁾
Credit interest related to a housing savings scheme recognized in Luxembourg	100%
Life annuities resulting from an old-age pension scheme	50%
Social rental income (if renting through social estate agency)	90%
Pension of orphan paid to legitimate children or assimilated	100%

*Dividends paid by Luxembourg or EU resident companies or resident in a State with which Luxembourg has concluded a double tax treaty (fully taxable companies).

NOTES

⁽⁰¹⁾ Doubled for married / partners couples jointly taxable.

⁽⁰²⁾ Doubled in case of joint taxation if each spouse earns on employee income.

⁽⁰³⁾ Increased by the same amount for the spouse and each child.

⁽⁰⁴⁾ In case of joint taxation, the deductible amount applies for each spouse, to the extent that separate insurance contracts have been concluded.

⁽⁰⁵⁾ This allowance applies to the parent paying alimony for the child in the case of a divorced / separated couple.



**Last updated:
January 2024**

This document is intended as a general guide only. Although every effort has been made to ensure that the information printed within is correct, no guarantee can be given on its accuracy at the time of reading, or at a subsequent date, as it may be affected by future changes to the legislation or in interpretation of that legislation.

Baker Tilly

With 50 years of experience, Baker Tilly Luxembourg has more than 130 employees who bring their expertise to a national and international clientele including small and medium enterprises, large industrial groups, insurance companies, banks and other players in the financial sector, as well as individuals.

Baker Tilly Luxembourg is an independent member of the Baker Tilly International network which is present in 145 countries. Ranked among the 10 largest worldwide networks of accounting, tax, audit and business advice firms, it has 703 offices and employs more than 41,000 people.



Janique Bultot

Partner

Janique.Bultot@bakertilly.lu

T : +352 47 68 47-445

Julie Ratajczak

Senior Manager

Julie.Ratajczak@bakertilly.lu

T : +352 47 68 47-473

François Guisset

Manager

François.Guisset@bakertilly.lu

T : +352 47 68 47-432



45 rue des Scillas L - 2529 Howald

T : +352 47 68 47 - 400

info@bakertilly.lu

www.bakertilly.lu

Follow us on    