



TAXATION OF INDIVIDUALS

2026 - LUXEMBOURG



Now, for tomorrow



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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	123,400 to 176,150	176,200 to 234,850	234,900
Tax class 1A	123,400 to 176,150	176,200 to 234,850	234,900
Tax class 2	234,950 to 352,300	352,350 to 469,700	469,750

AVERAGE TAX RATES*

Taxable Income (€)	Tax class 1	Tax class 1a	Tax class 2
30,000	7.12%	1.34%	1.01%
60,000	19.91%	15.77%	7.13%
90,000	27.18%	24.42%	13.49%
120,000	30.84%	28.77%	19.91%
150,000	33.23%	31.58%	24.27%
180,000	34.98%	33.60%	27.18%
210,000	36.37%	35.19%	29.26%

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

SOCIAL SECURITY RATES

	Employee's part	Employer's part
Pension insurance*	8.50%	8.50%
Health insurance*	3.05%	3.05%
Dependence insurance**	1.40%	n/a
Health at work*	n/a	STI : 0.14% - STM : 0.14%
Accident insurance*	n/a	0.65%***

Mutualité des employeurs	Employee's part	Employer's part
Class 1 (absenteeism rate < 0.65%)	n/a	0.23%
Class 2 (absenteeism rate < 1.60%)	n/a	0.95%
Class 3 (absenteeism rate < 2.50%)	n/a	1.56%
Class 4 (absenteeism rate ≥ 2.50%)	n/a	2.66%

* The contributions are levied up to the annual ceiling of €162,224.14 (index 968.04 as of 01.01.2026).

** 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 0.65% multiplied by a bonus / malus factor depending on the benefits related to accident at work received during an observation period.

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 income tax return
Student pursuing higher education studies	Tax bonus included in the financial aid granted by the CEDIES
Child in shared custody with shared family allowance	Tax relief * through the income tax return for parents who do not qualify for tax class 1A

* for taxable years 2025 and 2026



BENEFITS IN KIND

COMPANY CAR (USED FOR PRIVATE PURPOSES)

RATE X ACQUISITION PRICE OF THE NEW VEHICLE (VAT INCLUDED)				
<ul style="list-style-type: none"> ✓ Combustion engine vehicles (sole or hybrid) first registered as from 01.01.2025 (and not covered by a contract signed until 31.12.2024) ✓ 100% electric/hydrogen vehicles registered until 31.12.2026 (or ordered until 31.12.2026 and registered by 31.12.2027 at the latest) 				
Combustion engine (sole or hybrid)	Hydrogen engine	100% electric engine		
		a)	b)	If a) and b) not applicable
		≤18kWh / 100km	≤20kWh / 100km & propulsion system ≤ 150Kw	
-	0.5%	0.5%	0.5%	0.6%
2%	-	-	-	-

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.

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.

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

Tax regime for impatriates (employees coming from abroad). The aim of this favorable regime is to help Luxembourg companies to attract qualified personnel.

Advantage:

- Tax exemption of 50% of the annual gross salary (excluding cash payments and benefits in kind) limited to €400,000

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
- At least 75% working time in Luxembourg

Duration of the regime: arrival year + 8 years

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% under the following conditions:

- Total amount of the profit-sharing bonus must not exceed 7.5% 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 30% of the beneficiary's fixed annual salary (excluding benefits) for the current year

YOUNG EMPLOYEES PREMIUM

Employers can grant their young employees an annual premium that is 75% tax-exempt, under the following conditions:

- < 30 years old on 01.01 of the taxable year
- First permanent contract in Luxembourg concluded no earlier than 01.01.2025
- Payment of the first young employee bonus less than 5 years prior to 01.01 of the taxable year

The exemption amounts to a maximum of €5,000 and varies according to the employee's gross annual remuneration.

HOUSING PREMIUM FOR YOUNG EMPLOYEES

Employers can grant their employees a monthly housing premium that is 25% tax-exempt, under the following conditions:

- < 30 years old on 01.01 of the taxable year
- Amount of the bonus ≤ rent excluding charges
- Annual salary ≤ €97,334.40

The monthly allowance is capped at €1,000 (maximum exemption €250).



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).

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

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 ≤ 5 years *	Real estate held for a duration > 5 years *	
Main residence	Exemption		
Other real estate	Taxation at the ordinary progressive rates (max. 45.78%) + insurance contribution (1.4%)	- Real estate sold between 01.01.25 and 30.06.25: Taxation at the 1/4 global rate (max. 11.45%) + insurance contribution (1.4%)	- Real estate sold after 30.06.25: Taxation at the 1/2 global rate (max 22.89%) + 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.	

* 2 years for the sales realized between 01.01.25 and 30.06.25

** 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 ⁽⁰³⁾
2 years preceding the date on which the taxpayer can occupy the building *	Unlimited
Year from which the taxpayer can occupy the building + 1 year	
2 nd year following the year from which the taxpayer can occupy the building + 3 years	€4,000
Subsequent 5 years	€3,000
Following years until the end of the mortgage contract	€2,000

* Sale in future state of completion (VEFA): key handover date
Existing property: date of notarial deed signature

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 (2025) - €4,500 (2026 and subsequent years)
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
Contributions to a complementary pension plan for self-employed	20% of annual net income*
Eligible donations (minimum amount: €120 / year)	20% of the net income or €1,000,000
Losses carried forward	Under conditions

* 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)	€5,424 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.



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