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AMCHAM & BCC Personal Tax Lunch

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9th November 2020

AGENDA



Back to basics



2020 updates & related questions



Covid-19 & income tax



UK & US updates

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TAX BASICS : RECAP

LUXEMBOURG RESIDENCY



RESIDENTS

- Report worldwide income

NON-RESIDENTS

- Taxable on Luxembourg sourced income
- Election possible for resident treatment under certain conditions

PART-YEAR RESIDENTS

- Year split into resident & non-resident periods
- Election possible for full year taxation

JOINT TAXATION

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Married Residents

- Default joint filing for married couples
- Election possible for individual taxation

Married Non-Residents

- Default separate filing for married couples
- Elections possible for joint taxation & resident treatment

Registered Partners

- Default separate filing
- Election possible for joint taxation when conditions met

TAX CLASSES

SINGLE TAXPAYERS

- Tax Class 1
- Tax Class 1A if children in household

REGISTERED PARTNERS

- Tax Class 1 during the year
- Tax Class 2 if elect for joint taxation

MARRIED TAXPAYERS

- Tax Class 2
 - Primary/Secondary Tax Cards
- Residents can elect for individual taxation
 - Tax Class 1 for each taxpayer
- Non-residents can elect for joint taxation
 - Tax Class 2 with blended average tax rate on Tax Cards



TAX FORMS



FORM 100

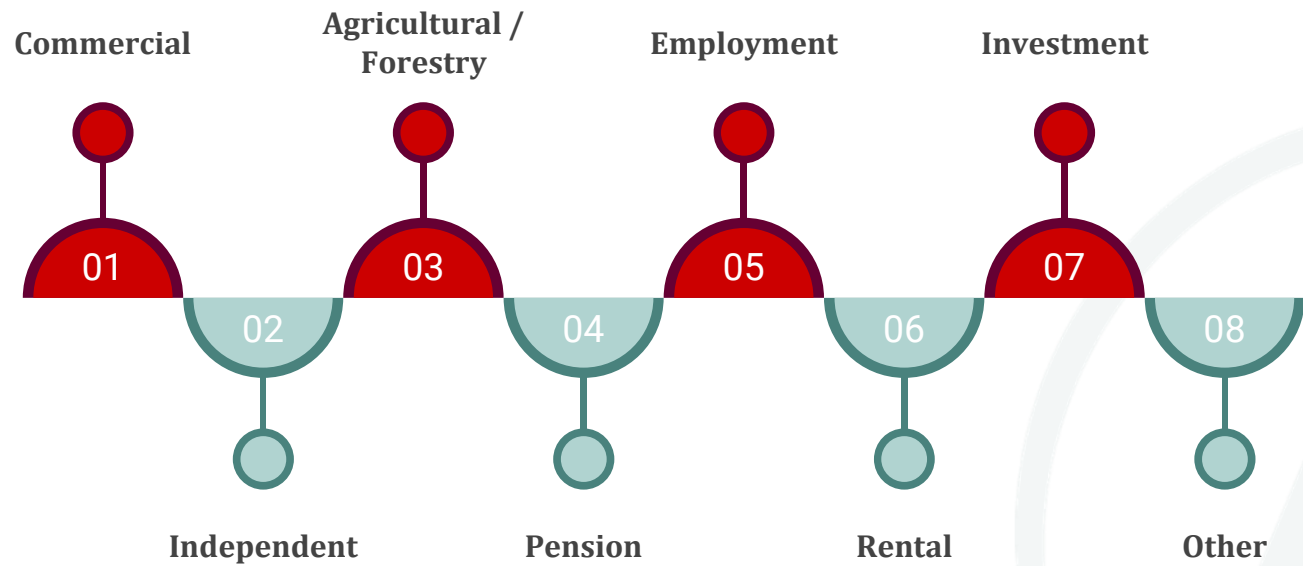
- If elect for non-default filing position
- If income exceeds certain thresholds
 - > €11,265 and no withholding tax
 - self-employed
 - > €100,000 total taxable income
 - > €36,000 multiple incomes
 - Includes 2 x working spouses
 - > €1,500 Directors fees
 - > €600 not subject to withholding tax
 - includes foreign income
 - Etc.



FORM 163R / FORM 163NR

- To claim refund of withholding tax
- Report annual worldwide income unless:-
 - > 9 months employment and/or
 - > 75% income from Luxembourg
- Non-residents with non-continuous occupation

CATEGORIES OF INCOME



COMMON DEDUCTIONS / CREDITS

	2020
Mortgage interest (*)	€1,000 - €2,000
Debit Interest (*)	€672
Insurance (*)	
Personal Pension	€3,200
Home Savings Scheme (*)	€672 - €1,344 (conditions / restrictions apply)
Childcare/Housekeeping	€450 / month
Support for children outside household	€4,020 / child
Single parent tax credit	Up to € 1,500
Eco transport	Up to € 300 (bicycle) and € 5,000 (car)
Alimony	Up to € 24,000

(*) limits apply per member of household

DEADLINES



FORM 100

- Official deadline : 31 March Y+1
- Reminder issued late September requesting submission in 30 days
- Second reminder issued late November stating € 800 penalty, per return, not filed by 31 December Y+1
- Practical deadline : 31 December Y+1



FORM 163

- Fixed deadline 31 December Y+1
- **NO** late filing is accepted



TAX ASSESSMENTS

- Generally received 6-18 months after submission
- Tax office have 5 years to issue assessment

A black and white photograph of a stone archway leading to a staircase. The archway is constructed from large, rough-hewn stone blocks. The staircase is visible through the archway, leading upwards. The lighting is dramatic, with strong shadows and highlights on the stone surfaces.

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2020 - UPDATES

2020 IN-YEAR UPDATES



- **France : effective 1/1/2020**
- Kosovo, Uzbekistan (eff. 1/1/2020)

- 5 new Circulars relating to personal tax
- 3 for border workers teleworking due to covid-19
- 1 provides details for calculation of “29 days” for French residents under new treaty
- 1 details change in calculation of car CO2 ratings which could impact company car benefit

- Increased deductions for household employees to € 600 per month (April – December 2020)
- New format Chart of Accounts

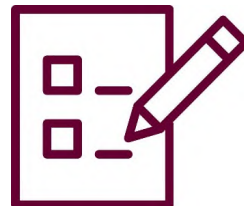
FOREIGN INCOME

Disclosure of unreported foreign income



INCREASED FOCUS

Increased focus from tax office
Residents must declare worldwide income



ACTIONS

If letter received, ensure complete disclosure of unreported income

If no letter received, make a voluntary disclosure of unreported foreign income

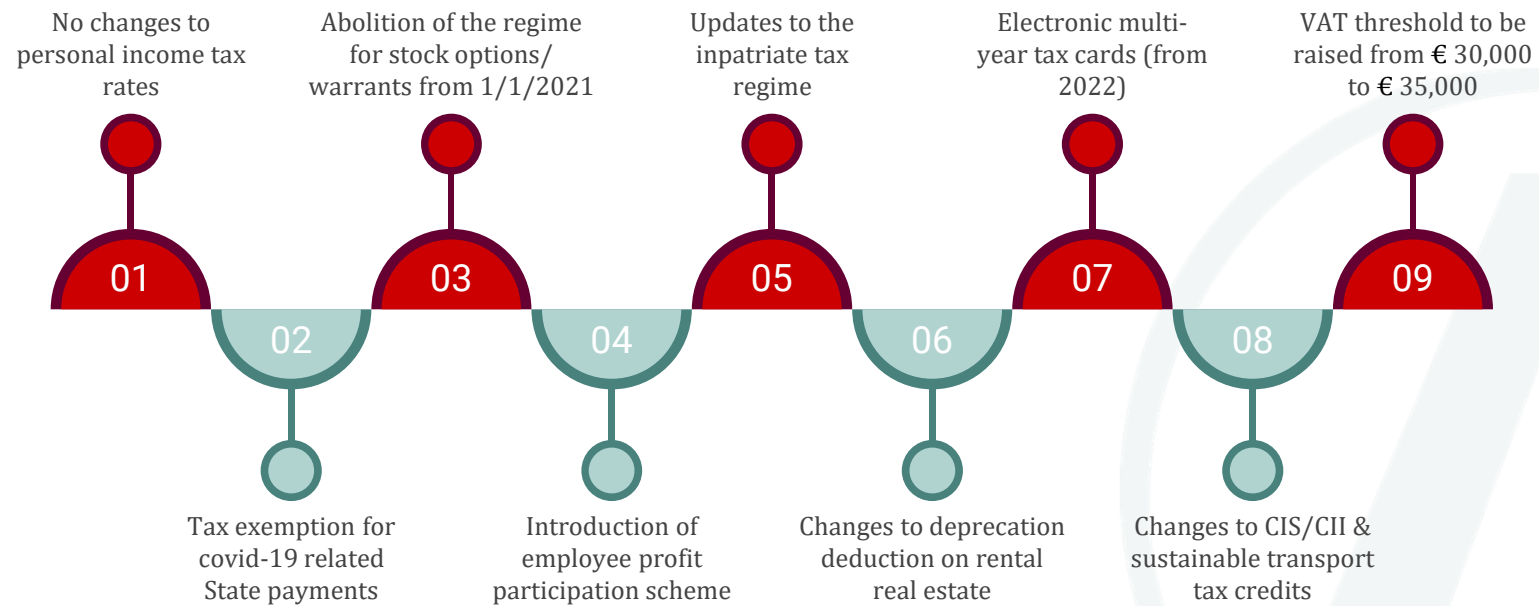


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DRAFT LAW 2021

LOOKING FORWARDS

2021 Draft law



EMPLOYEE PROFIT PARTICIPATION



EMPLOYER

- Limited to 5% of *profit* from year N-1
- Must maintain regular accounting records
- Based on local company profit only for international companies
- Specific reporting towards for wage withholding tax



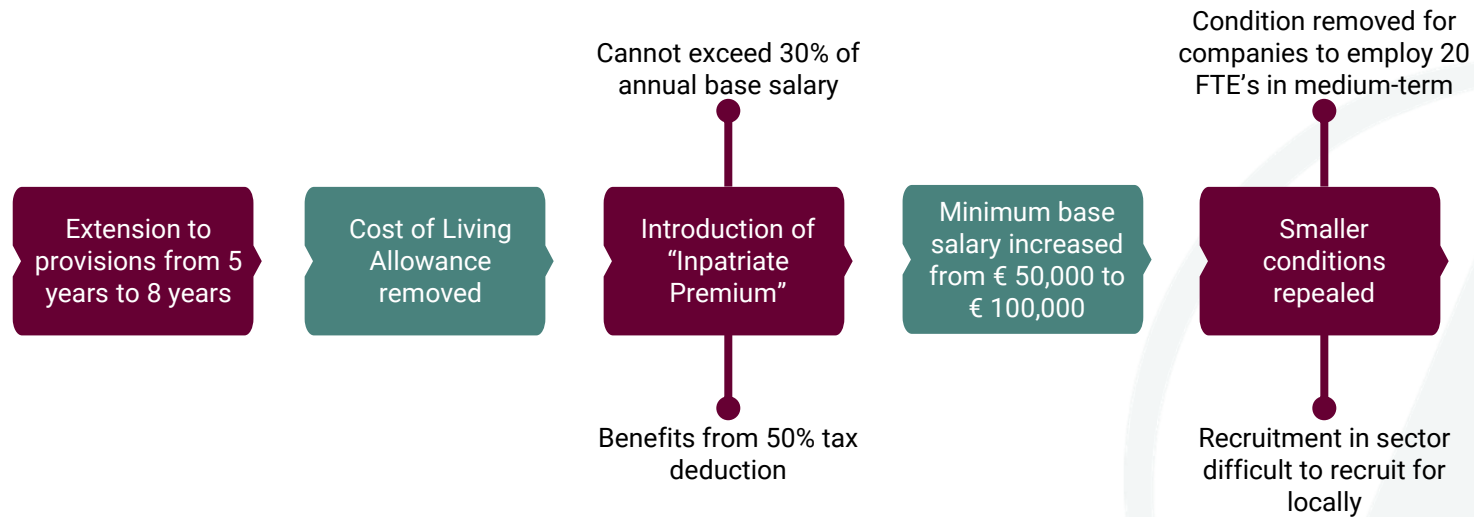
EMPLOYEE

- Limited to 25% of gross ordinary income (*)
- Must be affiliated to Luxembourg CCSS or qualifying foreign scheme
- 50% exemption from personal tax

(*) Excludes benefits in kind/in cash, bonuses etc.

INPATRIATE TAX REGIME

Changes to current regime



RENTAL REAL ESTATE



ACCELERATED DEPRECIATION

- Currently 6% for first 6 years
- Reduced to 4% for first 5 years
- Existing provisions grandfathered for rentals in place at 1/1/2021



SUSTAINABLE ENERGY RENOVATIONS

- 6% depreciation rate for first 10 years
- Super-reduced VAT of 3% for properties older than 10 years (currently 20 years)



SPECIAL REAL ESTATE DEDUCTIONS

- Applicable from 1/1/2021
- 1% of total qualifying acquisition price
- Capped at € 10,000 (double for joint filers)



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COVID-19 & TAX

IMPACT OF COVID-19

**Cross-border
workers**

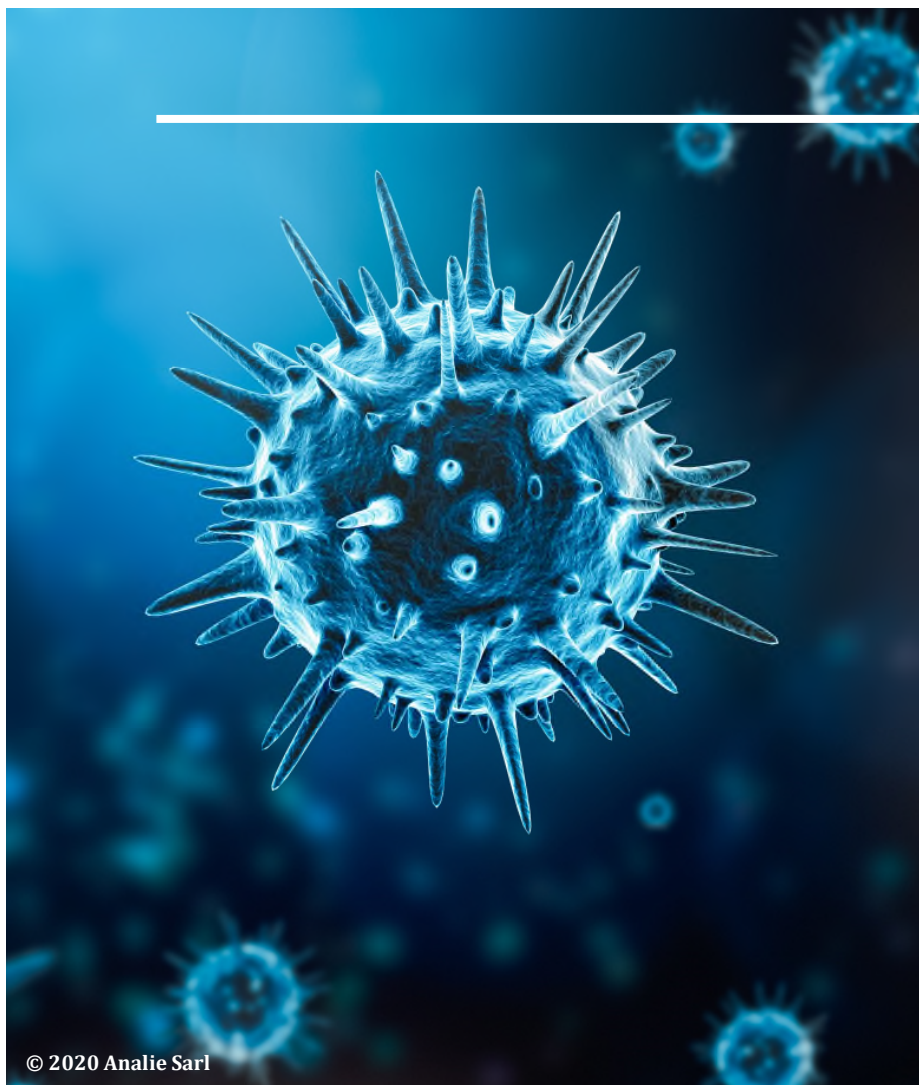
- Teleworking Agreements with Belgium, France & Germany
- Currently apply to 31/12/2020
- Extension into 2021?

**Other
countries**

- No specific agreements in place

**Social
security**

- Teleworking days in 2020 will not be considered for the 25% threshold



Practical considerations

- Payroll implications?
- Luxembourg employer obligation to adjust for non-Luxembourg working days
- Additional tax due in other country?
- Potential negative cashflow
- Potential overall increase in taxes
- Mismatch in treatment?
- Employers more open to home working in future

HOME OFFICE COSTS



STANDARD DEDUCTION

Each employee benefits from a deduction of EUR 540



ACTUAL COSTS

Purchase of furniture/equipment
Rent/utilities
Mortgage interest

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UK & US Updates

UK TAX CHANGES

Brexit

- Luxembourg-UK double tax treaty remains in force
- Potential for double social security obligations

Other

- Continued focus on disclosure of foreign income
- Mortgage interest not deductible from rental income – fully phased out from April 2020
- Capital Gains Tax returns & payments on account required within 30 days of sale of UK real estate.



US TAX CHANGES

2020 changes

- Introduction of High-Tax Exemption for GILTI
- Stimulus payments due to Covid-19
- Inherited IRA's to be fully distributed in 10 years

President-elect Biden's tax plans

- Increased personal tax rates & social security
- Capital Gains & Qualified Dividends taxable at ordinary rates
- Introduce cap on deductions and limitations for higher earners
- Revert to many pre-TCJA 2017 provisions



OUR OFFICES

Luxembourg & United States



GONDERANGE



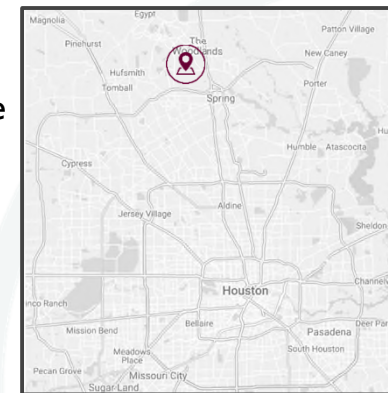
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