**Personal Tax Changes in Luxembourg: Everyone to be impacted**

**By Margaret Ferns**

If you are a non-resident employee in Luxembourg, your taxes are about to get more expensive. If you are self-employed, your tax reporting is about to get more complicated, and if you are a married couple in Luxembourg, you have a choice to make. Get informed now to optimise your tax deductions for 2018.

This was the conclusion of the Personal Tax Lunch that took place on Friday 10 November 2017 at La Table du Belvedere on Kirchberg. Organised by the British Chamber of Commerce and AMCHAM (American Chamber of Commerce in Luxembourg) along with AIESBO (International English-speaking Business Organisations), the speakers were Aude-Marie Breden, Personal Tax Senior Manager at Mazars and Laura Foulds, Director, Analie Tax & Consulting.

According to Foulds, under the new regime, self-employed with a turnover of greater than €100,000 will now have to keep formal accounts (double entry bookkeeping), and independent directors will (depending on the type of directorship and client) be obliged to charge VAT (at 17% or 0%), which requires that they first register with the VAT authorities. A 20% withholding tax is to be applied on fees, excluding VAT. Independent directors with a turnover of less than €30,000 can opt for a simplified VAT registration with total exemption. *“Start to treat your business more like a company and get reporting procedures in place now,”* Foulds advised.

With effect from 1 January 2018, married couples resident in Luxembourg will have the option to file separate tax returns. *“There are three options,”* Foulds explained. *“Couples can continue to file joint tax returns as before, file individual returns similar to single tax payers or elect for a hybrid option, where individual tax returns are filed, but where the income is reallocated between the two spouses.”*

The deadline for opting for an alternative taxation system is 31 December prior to the new tax year, and the decision is irrevocable. That said, a concession has been made for 2018 allowing for a decision to be made up until 31 March 2019.

For married couples who are non-resident in Luxembourg it gets complicated, as well as potentially more expensive. As of 1 January 2018, the default position will be Tax Class 1, with Tax Class 2 possible by election. However, under Tax Class 2, 90% of income must come from Luxembourg (50% for Belgian residents) and all foreign income must be declared.

*“There are very serious practical implications to all of these changes that impact everyone,”* said Breden. *“It is essential to get informed now to optimise your taxes for 2018. Do not risk doubling your taxes.”*

**A final word on Brexit**

Foulds added that, as Luxembourg/UK taxation is based on tax treaties, Brexit is unlikely to bring any changes until a new tax treaty is negotiated.

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