



AMCHAM & BCC Personal tax Lunch

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Agenda

- 2019 updates & related questions
- UK & US hot topics

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2019 – updates

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Circulars & Treaties

Circulars

- 7 new Circulars covering variety of taxes of which 4 relate to personal tax confirming new legislation for married/non-resident taxpayers

Treaties

- **France treaty ratified : effective 1/1/20**
- Cyprus & Senegal (eff. 1/1/19)
- Kosovo, Uzbekistan (eff. 1/1/20)
- USA : protocol ratified, not new treaty

Self-employed pension

- New scheme introduced from 1/1/19

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Looking forwards

Advance Tax Rulings

- Draft law for 2020 indicates rulings issued before 2015 to expire at 31/12/2019

Coalition plans

- Introduction of individual taxation
- Modernisation of luncheon vouchers/benefits in kind
- Enhancements to expatriate regime
- Employee profit participation scheme
- Improve online filing system

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Circulars : recap for married taxpayers

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Married resident taxpayers

Default position

- Joint filing

Optional elections ⁽¹⁾

- Individual filing (like single taxpayers)
 - Both tax Class 1
 - EUR 4,500 abatement for 2 x working spouses split
- Hybrid option : reallocation of income between spouses

⁽¹⁾ via tax card in year or on return filed by 31 March

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Married non-residents

Default position

- Tax Class 1, single filing

Optional elections ⁽²⁾

Tax Class 2 *if*

- 90% of income from Luxembourg ⁽³⁾
 - Excludes first 50 days foreign working
 - Excludes EUR 13,000 personal income
- then*
- Must declare foreign income of household (professional & personal)
 - Can choose alternative allocation⁽¹⁾ like residents

⁽²⁾ via tax card in year or via tax return

⁽³⁾ Belgian residents : 50% of professional income of household, per treaty provisions

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Treaties

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General treaty provisions

General principles ⁽⁴⁾

- Country of “tax residence” has primary right to tax all income
- If treaty assigns right of taxation to another country then resident country provides relief from double taxation

Employment income

- Days worked (physical presence) are taxable in the non-resident country if:-
 - Present in country for > 183 days ⁽⁵⁾ or
 - Income paid by entity resident in other country or
 - Income recharged to entity resident in other country

⁽⁴⁾ this is a very simplistic summary : every treaty differs and so should be reviewed in detail on a case by case basis

⁽⁵⁾ Normally 183 days in any 12 month period starting/ending in the tax year

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Commuters

Example

Mr Smith lives in London with his wife & 2 children. He is employed in Luxembourg and most weeks he works in Luxembourg Mon-Thurs and from home in UK on Friday.

- Luxembourg : tax 80% of income
- UK : tax 100% of income and give double tax relief for 80% taxed in Luxembourg

Differences for cross-border workers

Days worked outside Luxembourg remain taxable in Luxembourg as long as they do not exceed:

Germany :	19 days
Belgium :	24 days
France :	29 days (from 1/1/20)
Other :	0 days

Self-employed & pensions

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Independent workers

New accounting provisions from 1/1/18

- Mandatory where turnover > EUR 100,000
- Accrued basis accounting
- Double entry bookkeeping
- Independent NOT Commercial

In practice

- Monthly CCSS invoices
- Quarterly VAT returns & EC Sales list
- Annual bookkeeping, financial statements & VAT return

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Pensions

State Pension

- 8% contribution employer + employee + State

Employer pension

- Employer contributions have 20% tax at source
- Employee can contribute up to EUR 100/month tax free

****NEW**** : Option for self-employed individuals to open similar plan

Private pension

- Up to EUR 3,200 / year tax free

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UK & US updates

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UK & US tax updates

UK updates

- **Brexit** : Luxembourg-UK double tax treaty remains in force
- **Reporting** : Disclosure of foreign income
- **Capital Gains** : extension of capital gains reporting for real estate

US updates

- **GILTI** : US taxation of undistributed profit held within foreign company
- **Expatriation** : new procedure for certain individuals

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Reminder : Luxembourg deductions & credits

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Limits for most common deductions / credits

	2019
Mortgage interest	€1,000 - €2,000 / person
Debit Interest	€672
Insurance	
Personal Pension	€3,200
Home Savings Scheme	€672 - €1,344 / person (conditions / restrictions apply)
Childcare/Housekeeping	€5,400
Support for children not at home	€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

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Thank you for listening

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