

ANALIE

AMCHAM & BCC Personal Tax Lunch

Laura Foulds, Analie Tax & Accounting

18th November 2021

AGENDA



Tax basics



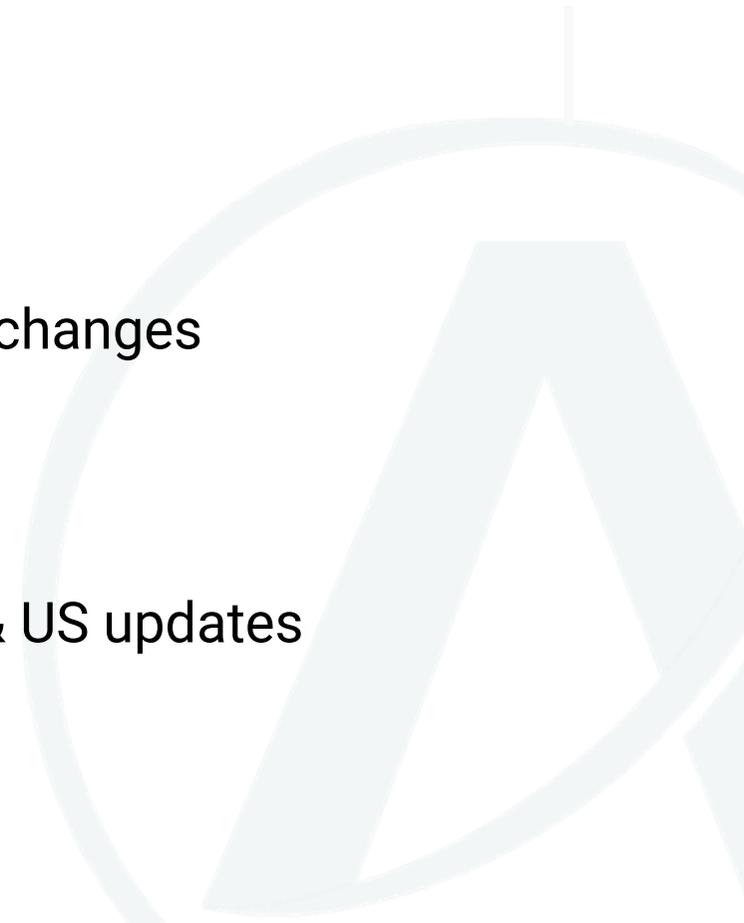
Tax changes



Non-resident payroll



UK & US updates





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TAX BASICS

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



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

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

- 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

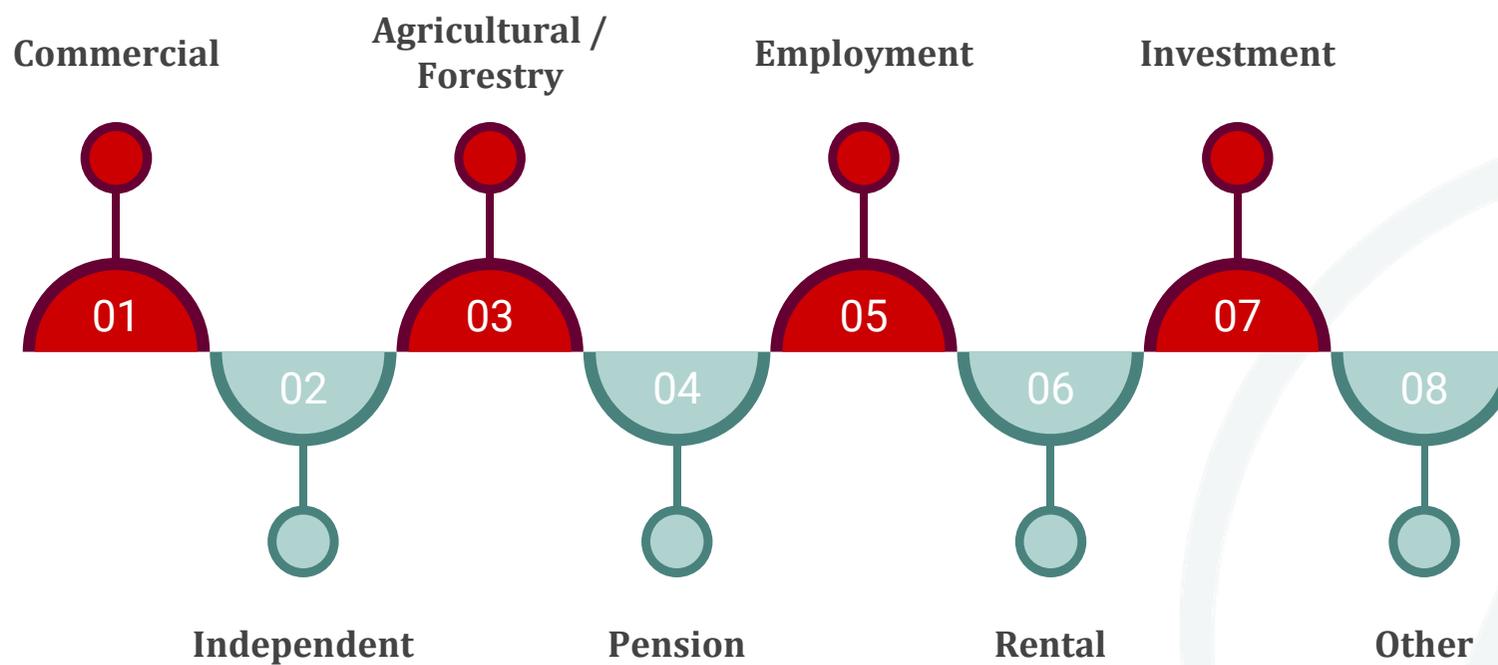
- **If elect for non-default filing position**
- **If income exceeds certain thresholds**
 - > €11,265 and no withholding tax
 - self-employed
 - > €100,000 total taxable income
 - > €36,000 multiple incomes
 - Includes 2 x working spouses
 - > €1,500 Directors fees
 - > €600 not subject to withholding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

2021	
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 (**) temporary increase in 2020 to €600 / month for cleaner due to covid-19

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

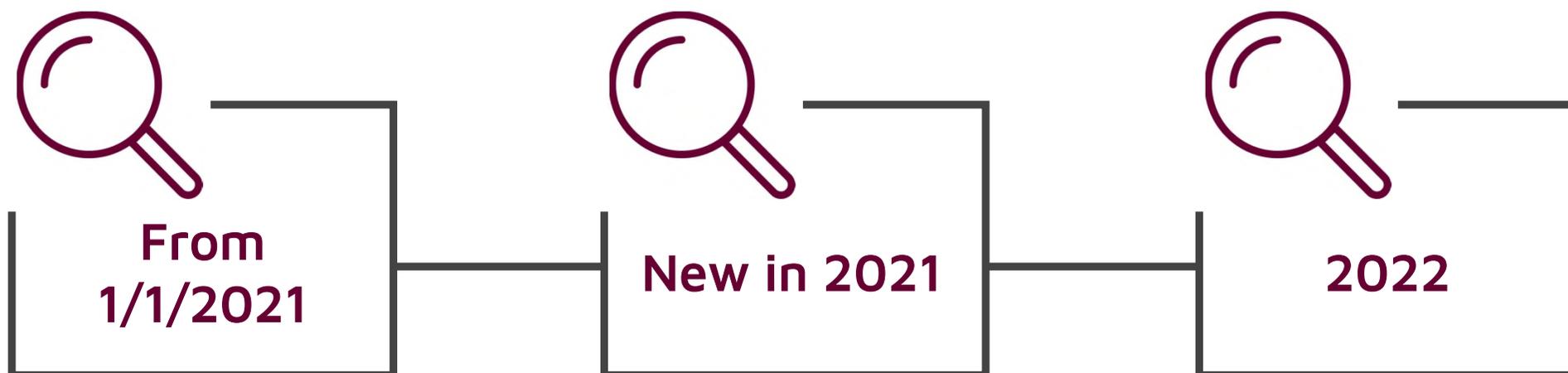
- Generally received 6-18 months after submission
- Tax office have 5 years to issue assessment

A black and white photograph of a stone archway leading to a staircase. The archway is made of large, rough-hewn stones. The staircase is visible through the archway, leading up to a higher level. The lighting is dramatic, with strong shadows and highlights on the stone surfaces.

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TAX CHANGES

LUXEMBOURG TAX UPDATES



- Introduction of Employee Profit Participation
 - Changes to inpatriate tax regime
 - **Continued focus on undeclared foreign income**
 - France increased limit for non-Luxembourg working days to 29
- Various circulars extending teleworking for border countries due to covid-19
 - 1 circular regarding deductible expenses for salaried workers
 - Belgium increased limit for non-Luxembourg working days to 34 ^(*)
- New treatment of EU personal pension contributions/distributions
 - Future plans to increase taxes on unbuilt land & unoccupied real estate
 - Electronic multi-year tax cards (mandatory)
 - 10% flat tax for temporary workers earning < € 25 / hour

(*) from 1/1/2022

COVID-19

Ongoing implications

- Teleworking agreements with border countries extended to 31/12/2021
- Teleworking in non-border countries – no agreements
- State Aid claims for businesses coming to an end
- Social security impact if no “return to normal” working pattern
- Complex tax filings and risk of double taxation



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NON-RESIDENT PAYROLL

TAXATION OF NON-RESIDENTS

PAYROLL

- Must apply exemption for non-Luxembourg working days
- Calculated based on Luxembourg guidance

TAX RETURN

- Calculate based on international tax treaties

PROBLEMS

- Payroll calculation \neq tax return
- Luxembourg tax office “payroll is definitive”
- Foreign country “tax treaty provisions apply”

RESULT : DOUBLE TAXATION

AFFECTED TAXPAYERS



NON-RESIDENT (BORDER COUNTRIES)

- 2021 : teleworking agreements apply
- 2022 : if exceed workdays limit (BE = 34, FR = 29, DE = 19)



NON-RESIDENT (OTHER COUNTRIES)

- 2021 : any non-Luxembourg workdays
- 2022 : any non-Luxembourg workdays



SPECIAL CASES

- Prolonged telework outside Luxembourg due to covid-19



WHO TO CONTACT?

EMPLOYER

- Ensure being treated as non-resident & payroll exemption applied

PAYROLL

- Review payroll calculations to ensure exemption is processed

TAX ADVISER

- Review payroll vs. tax treaty calculations
- Calculate potential payroll adjustment?

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UK & US Updates



UK TAXES

Brexit

- Tax treaty : unchanged
- Social security : broadly similar agreement to EU legislation

Other

- Continued focus on disclosure of foreign income, foreign tax credit claims etc.
- Now have 60 days to file Capital Gains Tax returns & make payments on sale of UK real estate.

US TAXES

EIP & Advance child tax credits

- Stimulus payments due to Covid-19 continued in 2021
- Advance child tax credits

Problems for US persons to cash cheques!!

Pensions

- Penalties apply for excess contributions
- IRA contributions may not be possible if claiming FEIE
- Remember Roth IRA only available if income does not exceed income thresholds



Thank You For Listening



www.analietax.com



enquiries@analietax.com



+352 27 87 37 87

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