

PERSONAL TAX UPDATE 2016

**Presentation by Aude-Marie Breden,
Mazars, for the British Chamber of
Commerce, Luxembourg**

18 November 2016



2016 – WHAT HAPPENED...

ALREADY DISCUSSED IN 2015...

Step-up provision for substantial shareholdings

Concerns new Luxembourg tax residents

Reevaluation of their investments at estimated market value as at date of arrival

Tax amnesty

Possibility to submit revised tax returns during two years (2016 and 2017) to regularise undeclared income. No other consequence than an extra tax penalty

Option to be taxed as a resident for the whole year

Only possibility to get a potential tax reimbursement

OTHER CHANGES...

Extension of the double tax treaty network

Andorra & Croatia

77 treaties currently in force

Temporary regime for capital gains on real estate

Capital gains realised between 1 July 2016 and 31 December 2017

Tax rate reduced from $\frac{1}{2}$ global tax rate to $\frac{1}{4}$ global tax rate

Repeal of the Luxembourg intellectual property tax regime

The 80% exemption applicable to IP income is repealed

Transitional period between 1 July 2016 and 30 June 2021

Warrant Scheme

Tax optimisation of discretionary bonus payments

Concerns employees at senior management level; no legal change yet but a trend to restrict the benefit to a limited public (with a salary higher than €200 000)

2017 – WHAT MAY HAPPEN...

THE TAX REFORM

NEW TAX RATES

- New brackets of 41% and 42% as from taxable income > €150 000, resp. €200 000 (€300 000, resp. €400 000 for a married couple)
- Two new intermediary brackets which should reduce average tax rate for most of the population
- Abolition of the 0,5% temporary tax
- CIS/CIP/CII (€300) & CIM (€750) to vary between €0 and their double depending of level of income

	2016	2017	Diff.
€50 000			
Tax Class 1	10 222	9 106	- 1 116
Tax Class 2	3 906	3 212	- 694

	2016	2017	Diff.
€200 000			
Tax Class 1	69 722	69 106	- 616
Tax Class 2	59 444	57 212	- 2 232

	2016	2017	Diff.
€100 000			
Tax Class 1	29 722	28 606	- 1 116
Tax Class 2	20 444	18 212	- 2 232

	2016	2017	Diff.
€400 000			
Tax Class 1	149 722	153 104	3 382
Tax Class 2	139 444	138 212	- 1 232

NEW TAX DEDUCTIONS

	2016	2017
Mortgage interest	Between €750/person and €1,500/person depending date of move	Between €1,000/person and €2,000/person depending date of move
Personal Interest	€336/person	€672/person
Insurance	€672/person	
Pension Insurance	Between €1,500 and €3,200 depending age	€3,200
Building Society	€672/person	€1,344/person but under conditions and with restrictions
Cleaning Lady/Child Minder	€3,600	€5,400
Children not at home	€3,480/child	€4,020/child

AND ALSO...

Withholding tax on interest

Increase from 10% to 20%

Tax fraud prevention

Three types of fraud: simple tax fraud (Administrative Court), aggravated tax fraud and tax evasion (Criminal Court)

Self-Employed

Self-Employed with a turnover > €100 000 will have to prepare proper accounts (Financial Statements)

Orphan pension

Will be exempted

[...]

POSTPONED 2018...

Option for a separate taxation regime for married couples and civil partners

Choice will be given between

- Full individualisation
- Individualisation with reallocation of income

Equality of treatment between resident and non-resident married couples

Taxation in tax class 1

Possibility to claim tax class 2 under condition to declare worldwide income

CONTACT



Aude-Marie BREDEN
Senior Manager

Personal Tax

Tel: + 352 27 114 609
aude-marie.breden@mazars.lu



The present document is a presentation of
MAZARS FAS
10A, rue Henri M. Schnadt
L-2530 Luxembourg
Tel : +352 27 114 1
Fax : +352 27 114 20
E-mail : info.mgl@mazars.lu
Web site: <http://www.mazars.lu>
© 2016 MAZARS