



Personal Tax Update 2015

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for the British Chamber of Commerce, Luxembourg
20 November 2015

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2015 – in summary...



January 2015

Temporary balancing charge (contribution to children's futures)

- 0.5% due on professional income (i.e. salary), replacement income (i.e. pension, unemployment, sickness pay) and patrimony income
- Similar to dependence insurance
- Abatement equal to social minimum wage
- No upper limit (i.e. uncapped)

- Collected through the payroll by the employer
- Annual contributions below € 25 are ignored
- Contributions are not deductible on personal tax returns

Joint filing for same-sex marriages

- Effective from 2015



Belgium-Luxembourg tax treaty

Belgium-Luxembourg tax treaty

- Amendment to Article 15
- Primarily impacts Belgium residents working cross-border
- “24 days”

Practical issues

- Tracking workdays
- No detailed information on application of rules
- Can be applied retroactively?



Proposed changes from 2016



Proposals – Oct 2015

Step-up in basis

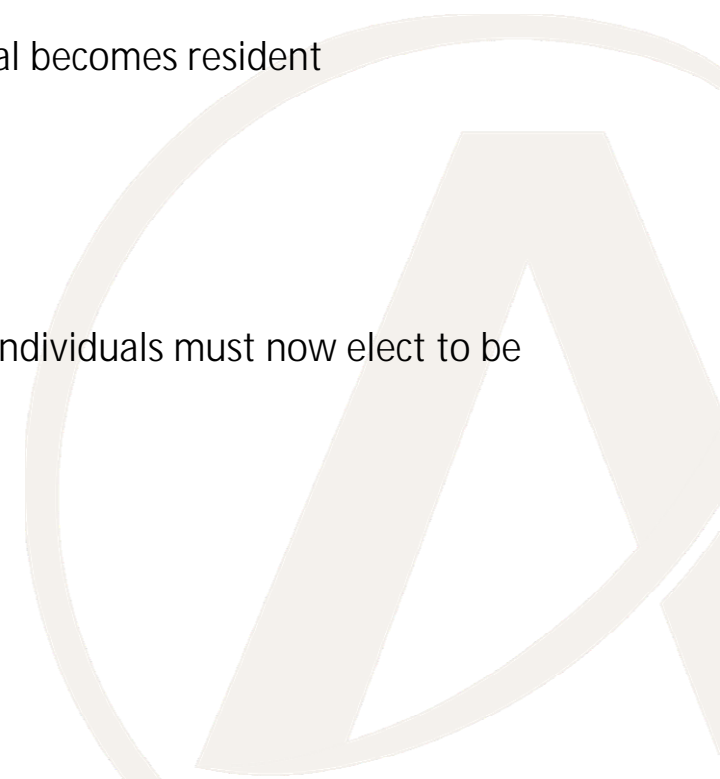
- Individuals coming to Luxembourg
- Substantial participation (> 10% shareholding)
- Basis for Luxembourg tax purposes is the realizable value on date individual becomes resident
- Anti-avoidance measures

Part-year residents

- Taxed separately for the resident/non-resident period (Art 6)
- To obtain a refund of withholding taxes relating to the resident period all individuals must now elect to be treated as full-year residents (Art 154(6))

Residents

- Tax amnesty – 2016 & 2017



Looking forwards

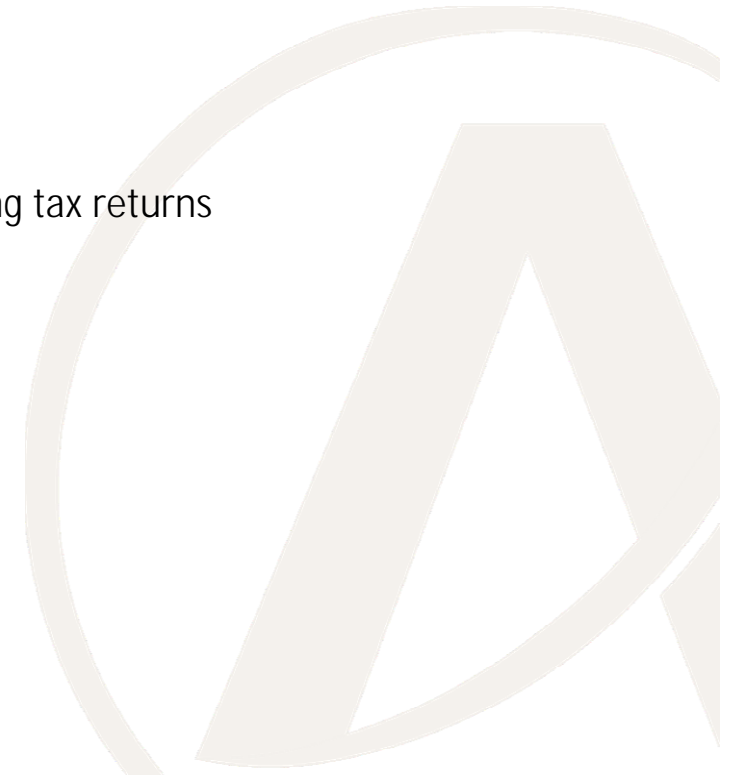
Tax assessment calculations for décompte annuel

- Historically, no tax assessment/correspondence : just receive amount in bank account
- Tax assessments are coming!

Non-residents

- Tax office increasingly able to determine non-residents who should be filing tax returns

2017 Tax reform...



Current actions



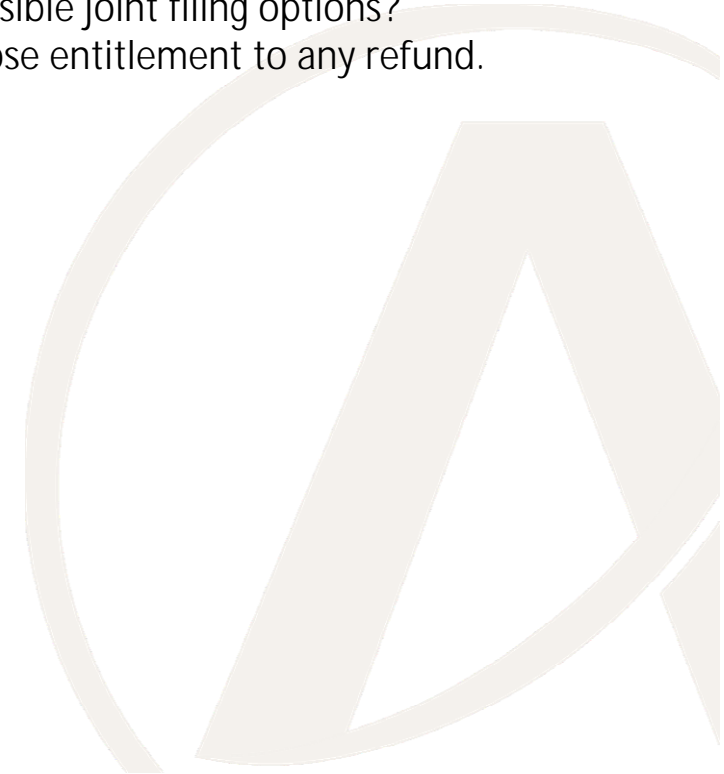
What to consider before 31 December 2015

Have you filed your tax return for 2014?

- Even if no obligation, there is an option to file a décompte (voluntary return) to claim deductions
- For non-residents, have you considered the resident election and possible joint filing options?
- If you file your return late (post 31 December 2015) then you could lose entitlement to any refund.

Have you maximised your deductions for 2015?

- Costs in excess of standard deductions available
- Employer pension - €1,200
- Personal deductions
- Interest subsidy's via employer (13th month)



Current deductions

- Mortgage interest €750 - €1,500 ⁽¹⁾⁽²⁾
- Debit interest €336 ⁽¹⁾
- Insurances €672 ⁽¹⁾
- Personal pension contributions €1,500 - €3,200 ⁽³⁾
- Home savings loan schemes €672 ⁽¹⁾
- Charitable donations €120+ ⁽⁴⁾

- Childcare and/or housekeeper/cleaner costs €300 per month ⁽⁵⁾

- Alimonies to ex spouse €24,000
- Alimonies for children living outside household €3,480 per child

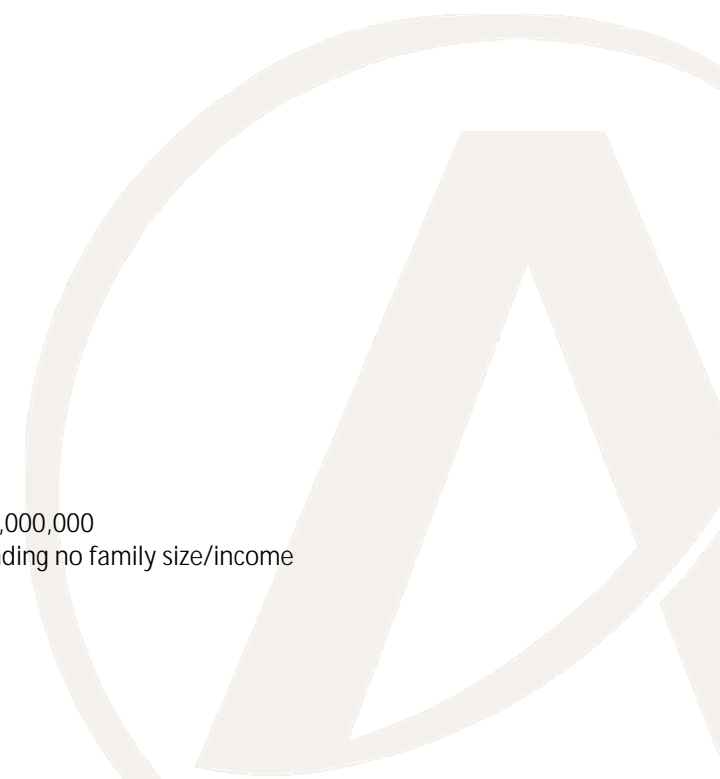
(1) deductions per member of household

(2) amounts depends on length of ownership of property

(3) Amounts increase with age over 40 years

(4) Limited to 20% of taxable income/€1,000,000

(5) Can be higher in certain cases, depending no family size/income



Common questions



Frequently asked questions

Do I have to file a tax return?

- If meet one of the conditions for mandatory filing – yes!
- Otherwise, no.....unless you choose to file voluntarily to claim a refund (décompte annuel)

Do I have to include my foreign income?

- Resident – yes
- Non-resident – no.....unless.....elect to be treated as resident

Can I deduct X, Y Z?

How will they know about my foreign income/workdays?

When do I get my refund?



EU – net pay comparison



Net pay comparison

“On average, a respite for workers from ever-rising taxes...while prevalence of “hidden” tax contributions grows”

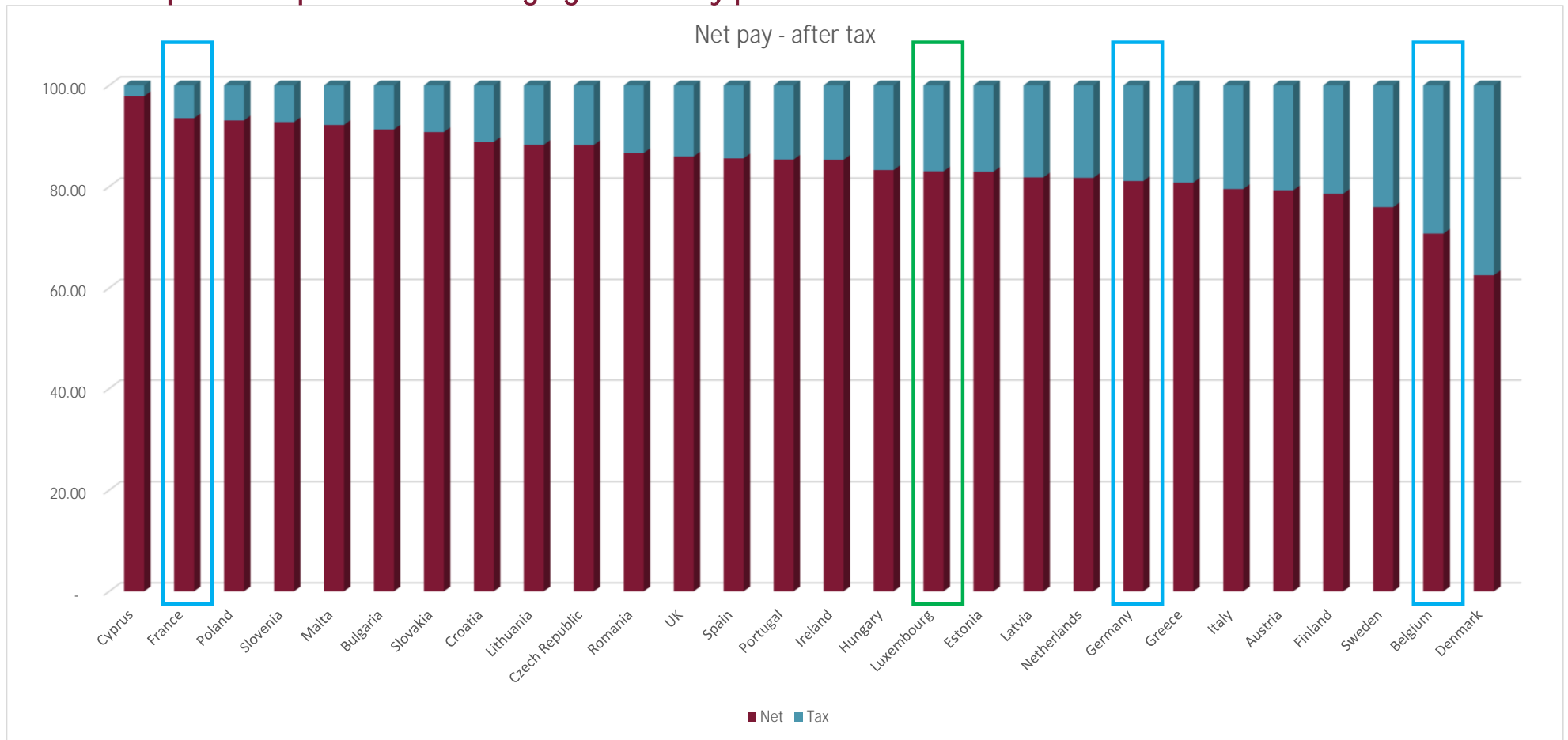
Following quotes/graphs use data sourced from the 2015 Institut Économique Molinari study “The Tax Burden of Typical Workers in the EU28 - 2015”.

“Higher pension and health care expenditures are primary effects of the ageing of Europe’s population”

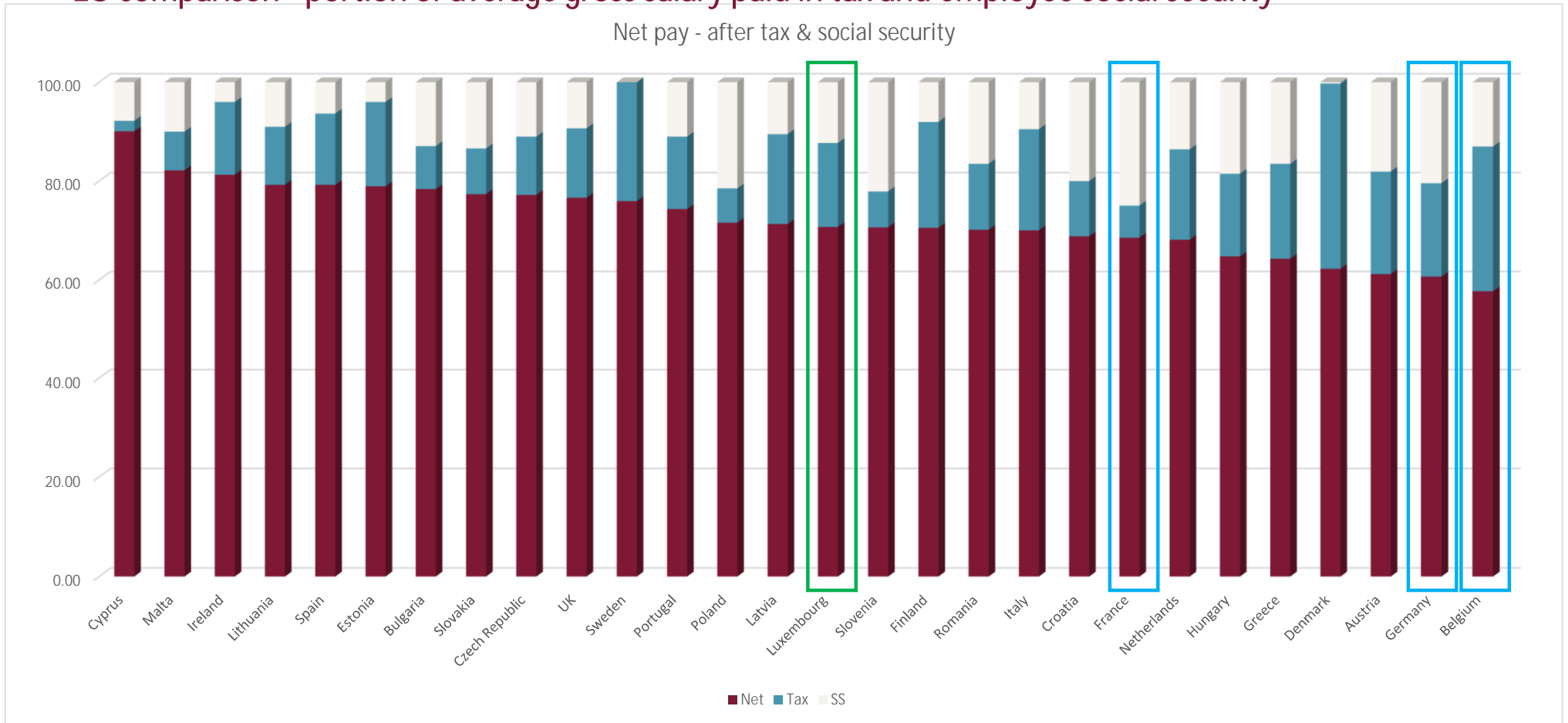
Survey uses average salary per country to determine typical tax costs. The following graphs show:

- Portion of gross salary paid in tax
- Portion of gross salary paid in tax and employee social security
- Total cost to employer to provide €1 net pay (i.e. including employer social security)

EU comparison - portion of average gross salary paid in tax

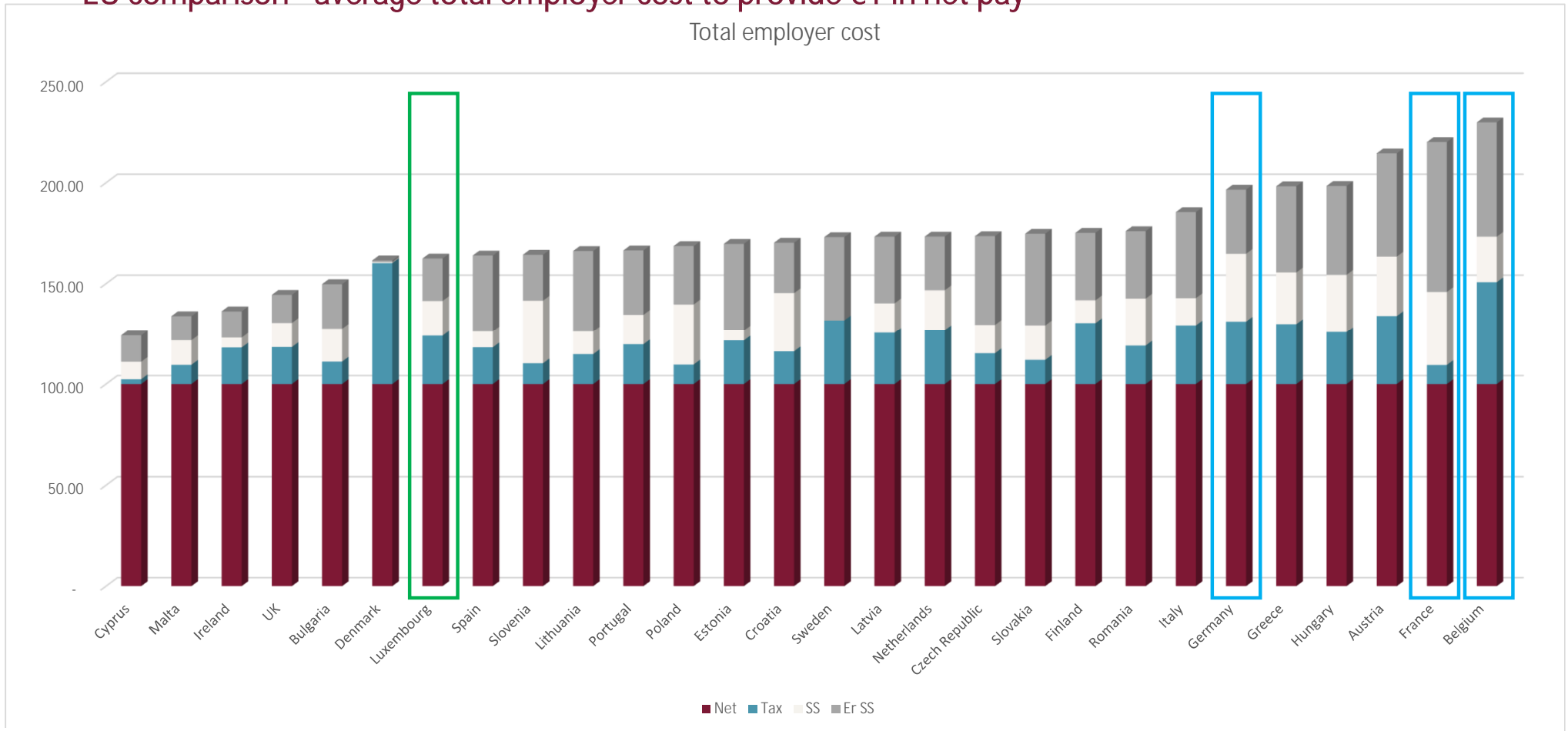


EU comparison - portion of average gross salary paid in tax and employee social security



EU comparison - average total employer cost to provide €1 in net pay

Total employer cost



Some important UK changes



UK – lots of changes in the pipeline

Dividends

- New dividend taxation regime from 6 April 2016
- 10% tax credit abolished
- £5,000 tax free dividend allowance
- Effectively increases tax on dividends by 7.5%

Personal allowance remains for non-residents – pending future consultation

- currently £10,600 for 2015/16

Pensions consultation

- Fundamental change being considered
- Currently : Exempt-Exempt-Taxable
- Proposals to consider : Taxable-Exempt-Exempt



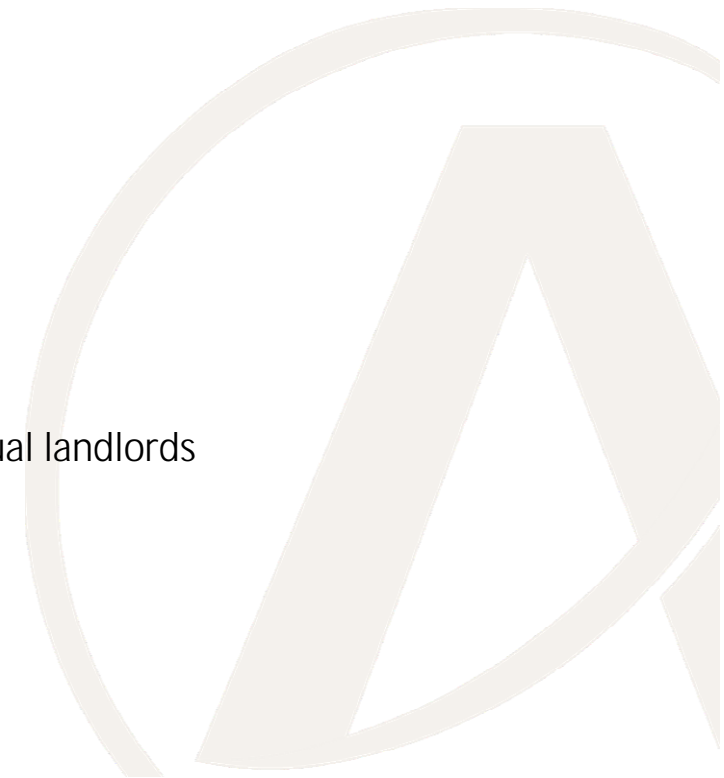
UK – property updates

Capital Gains Tax for Non-residents

- Default position : rebasing using Market Value at 6/4/2015
- Election : cost basis with time apportionment
 - Must elect within 30 days of sale of property

Rental properties

- From 6 April 2016
 - Wear & Tear Allowance abolished for furnished rentals
- From 6 April 2017
 - Mortgage loan interest relief to be restricted to basic rate for individual landlords
 - Phased in over 4 years



Thank you for listening

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