



Taxation of individuals

Luxembourg 2024

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Tax year

The tax year corresponds to the calendar year.

Tax rates

Progressive tax rates ranging from 0% to 41% apply to taxable income not exceeding €220,778 (€441,556 for couples taxed jointly). The excess is subject to 42%.

Luxembourg income taxes are calculated based on the taxable income and the individual's family status, i.e. the tax class.

The employment fund surcharge is 7% for income not exceeding €150,000 (€300,000 for couples taxed jointly) and 9% for income over these amounts.

Tax classes: residents

	Without children	With dependent children	Aged at least 65 years on 1st January 2024
Single	1	1a	1a
Married/ Partners*	1	1/1a	1
Married/ Partners - Joint taxation **	2	2	2
Separated/ Divorced***	2/1	2/1a	2/1a
Widow(er)***	2/1a	2/1a	2/1a

* Joint application before 31 December of the following year for a separate tax filing.

** Married taxpayers file jointly: mandatory joint taxation taxpayers who have entered into a registered partnership agreement and shared a common residence during the entire tax year can elect to be taxed jointly.

*** Residents who legally separate, divorce or become widowed during a specific tax year are granted tax class 2 for the next three tax years.

Tax classes: Non-residents

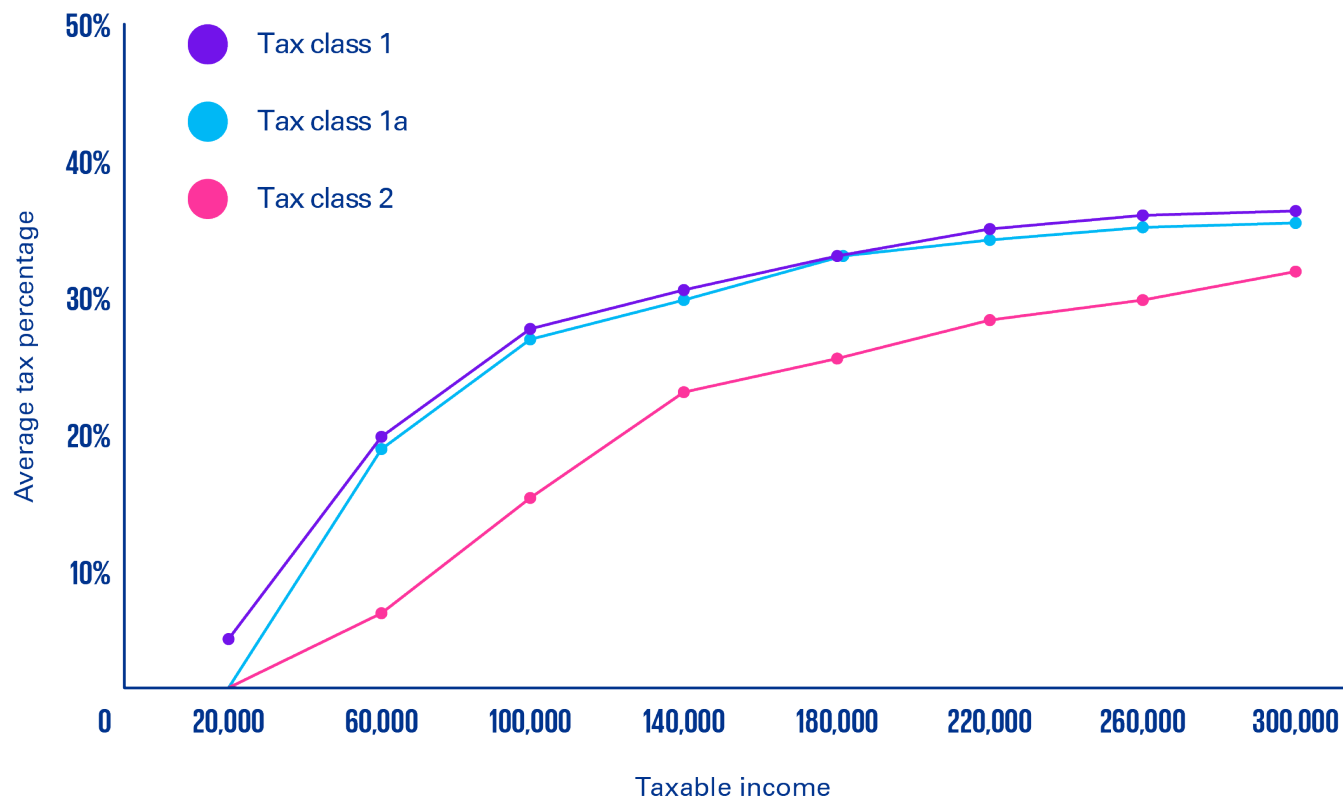
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Married/ Partners	1	1	1
Married/ Partners - Joint taxation *	2	2	2
Separated/ Divorced**	2/1	2/1a	2/1a
Widow(er)**	2/1a	2/1a	2/1a

* Specific requests to be made before 31 December of the following year under certain conditions. Legal partners have to apply for joint taxation via their tax return. Non-resident married couples and registered partners could opt to be taxed individually under the same conditions as resident married couples.

** Non-residents who legally separate, divorce or become widowed during a specific tax year are granted tax class 2 for the next three tax years.

Tax classes: Non-residents

The average tax rates according to taxable income and tax class are as follows:



Liability for income tax

Individual liability for Luxembourg tax is determined by residence status. Luxembourg tax residents are taxable on their worldwide income in Luxembourg (with treaty reliefs where applicable), while Luxembourg non-residents are taxable on their Luxembourg-sourced income only.

Individuals qualify as tax resident in Luxembourg if their domicile or usual abode is in Luxembourg.

- A domicile is a permanent home that the individual currently uses and intends to maintain.
- A usual abode is when the individual remains in Luxembourg for more than six consecutive months (short periods of absence are disregarded). Tax residence applies from the first day of the individual's presence in Luxembourg.

Deadline for tax filing

The official deadline to file a tax return is 31 December of the following year-end.

Double taxation treaties

In addition to Luxembourg's domestic arrangements that provide relief from international double taxation, Luxembourg has entered into double taxation treaties with 85 countries (as of January 2024) to prevent double taxation and allow cooperation between Luxembourg and overseas tax authorities in enforcing their respective tax laws.

Categories of income

- income from commercial activities
- income from independent activities (including directors' fees)
- income from agricultural/forestry activities
- employment income
- pension income
- investment (dividend and interest) income
- rental and royalty income
- miscellaneous income (including capital gains)

Income from independent activities

For income from commercial, independent, and agricultural/forestry activities, the taxable basis is usually calculated per the same rules that apply to companies (i.e. profits and charges are accounted for on an accrual basis). A simplified computation method, based on income and expenses on a cash basis, may be used in certain cases.

Directors' fees paid by a company in Luxembourg are subject to a 20% withholding tax calculated on the gross amount (or 25% of the net amount). For non-resident board members, this withholding tax is the final tax, provided the annual amount of directors' fees is less than or equal to €100,000 and no other professional income is generated in Luxembourg.

The actual amount of income-related expenses is tax deductible. Alternatively, a lump-sum deduction of up to €3,400 per year applies. Directors' fees are, however, not tax deductible from a corporate tax perspective.

Directors are subject to an accounting obligation to the extent that their annual gross turnover exceeds €100,000. Under certain conditions, VAT may still be due on directors' fees as well.

Employment income

- For income-related expenses (e.g. training sessions, expenses, etc.), unless taxpayers can prove they have incurred higher expenses, a lump-sum deduction of €540 per year applies.
- Commuting expenses are fixed by law and capped at €2,574 per year.
- Professional trips with a private car can be reimbursed tax-free up to €0.30 per kilometer.
- Doubled if jointly taxed and both taxpayers receive employment income.

Benefits in kind

For cars registered between 1 January 2017 and 31 December 2021 and for cars covered by a contract signed until 31 December 2021 and registered until 31 December 2022, the following rates apply, according to the different CO2 emission categories or engines as per the table bellow.

Benefit	Lump sum valuation/exemptions				
Company car	<p>Monthly fringe benefit: Varies from 0.5% to 1.8% of the actual acquisition cost of the new car (all options and VAT are included after discount, if any) depending on the CO2 class of the vehicle. As from 1 January 2021, the CO2 class is calculated according to the Worldwide Harmonized Light Vehicle Test Procedure (WLTP). In specific situations, the benefit in kind is still calculated based on the New European Driving License (NEDC). Note that taxable benefit might also occur where a bike/e-bike (Pedelec 25, L 1e-A categ) is made available to an employee. Depending on the type of bike, the benefit may be valued to EUR 0 at the level of the employee.</p>				
Car value percentage (new - VAT included) to apply per month					
CO ² emission categories	Vehicle without Diesel engine	Vehicle with Diesel engine	Vehicle with hydrogen battery	Electric vehicle	
				≤ 18kWh/100km	> 18kWh/100km
0g/km			0.5%	0.5%	0.5%
1 - 50g/km	0,8%	1,0%			
51 - 80g/km	1,0%	1,2%			
81 - 110g/km	1,2%	1,4%			
111 - 130g/km	1,5%	1,6%			
Free accomodation	<p>Monthly fringe benefit: 75% of the rent paid by the employer if the tenancy agreement was directly concluded between the employer and the landlord (if the accommodation is furnished a increase of 10% of the 75% should be considered).</p>				
Interest subsidy/interest reduced loans	<p>Interest savings are not taxable within the following limits: Mortgages on the taxpayer's private home: €3,000 (or €6,000 jointly) per annum depending on the taxpayer's situation. Other loans: €500 (or €1,000 jointly) per annum depending on the taxpayer's situation. Interest savings are also exempt from social security contributions.</p>				
Occupational pension scheme	<p>The employer's contributions to a qualifying occupational scheme are subject to an aggregated rate of 20.90% to be borne by the employer. Pension benefits received are tax-exempt in Luxembourg under certain conditions.</p>				
Luncheon vouchers	<p>Maximum exempt amount: €12.20 per voucher provided that the employee contributes €2.80 per voucher.</p>				

Specific tax regime for impatriate workers

Qualifying international employees recruited or assigned to work in Luxembourg can benefit from a special tax regime, which provides tax exemptions for typical benefits usually

granted to expats. These include moving expenses, accommodation costs, school fees, cost of living allowance, home leave, and tax equalization.

Conditions: employees

General conditions for secondments* or recruitments**	Additional conditions for secondments or recruitments
Must become tax resident in Luxembourg (based on domestic tax law).	Must have at least five years of seniority in the international group/sector concerned.
For the previous five years: must not have been Luxembourg tax resident, have lived fewer than 150km from the Luxembourg border and have been subject to Luxembourg income tax on professional income.	An employment relationship must exist between the sending company and employee.
Must exercise their employment as a principal activity and pass on knowledge to local personnel.	The secondee must be granted the right to return to the home company.
Earn an annual base salary of at least €75,000.	A contractual arrangement must exist between the home and host companies concerning secondment.
Does not replace a non-impatriate employee	

* An employee who normally works abroad and is seconded from a company located outside Luxembourg that belongs to an international group to temporarily exercise an employment activity in a Luxembourg company belonging to the same International group.

** An employee directly recruited abroad by a Luxembourg company or a company located in the European Economic Area to perform an employment activity in the company.

Conditions: employers

If the company has been established in Luxembourg for 10 or more years, the maximum number of expats authorized is 30% or less of the total number of full-time employees or its equivalent.

Benefits

Expenses borne by employer (subject to conditions)	Tax exemptions (subject to conditions)
Relocation costs (at start/end of assignment)	100% tax-exempt
Recurring assignment costs: - Rent/Utilities - Home leave - Tax equalization	Tax exemption of 30% of fixed annual salary, up to €50,000 (single)/€80,000 (with spouse/partner)
School fees	100% tax-exempt
Assignment premium	50% exemption

These exemptions apply from the year of arrival plus the following eight years that the employee works in Luxembourg. An extension from five to eight years is also

granted to secondees or employees who have benefitted from the impatriate regime prior to 1 January 2021 and fulfill the regime conditions, provided the initial deadline of eight years has not ended.

Procedure

The exemption is applied via monthly payroll. Following the start of the relevant tax year (by 31 January at the latest), the employer must provide the tax authorities with a list of employees benefiting from this tax regime. If the non-resident employer is not legally required to withhold wage tax in Luxembourg, and does not do it on a voluntary basis, the employee must file a Luxembourg individual income tax return to benefit from this regime.

Pension income

- Fifty percent of life annuities are tax-exempt.
- Lump-sum payments in lieu of pension may be completely tax-free up to 50% of the average tax rate or subject to reduced tax rates, depending on the nature of the premiums paid.
- Expenses relating to pension income are tax deductible via a minimum lump-sum deduction of €300* per year.
- Pensions paid out to orphans (i.e. legitimate[d] children and assimilated children) further to the death of one of the parents are fully tax exempt.

* Doubled if jointly taxed and both taxpayers receive employment income.

Investment income

Interest: specific taxation

- For interest paid by resident paying agents or paying agents located in Luxembourg to resident individuals: A 20% withholding tax is levied on interest on certain financial products falling under the Relibi law's scope. This withholding tax is the final tax, and the amount of interest is not reportable on the individual's annual tax return.
- For interest under the Relibi law's scope that is paid or credited by foreign paying agents located inside the EU or in the EEA: The Luxembourg resident taxpayer may opt for the 20% withholding tax via a specific tax form. The deadline is 31 December following the tax year-end. This withholding tax is final, and the interest is not reportable on the individual's annual tax return. If the option is not exercised, the individual must report the interest income in their annual tax return.
- The tax is only due if the annual interest amount exceeds €250 per individual/account holder and per paying agent.

Dividends

- A 50% tax exemption applies to dividends received from an EU-resident parent-subsidiary company or a company resident in a State with which Luxembourg has a double taxation treaty, provided the company is subject to a tax comparable to the Luxembourg corporate income tax.
- Investment income (both dividends and interest income excluded from the 20% final withholding tax) is tax-free up to €1,500 per year (€3,000 for jointly taxed couples).

Capital gains

Capital gains on investments

Additional conditions	Tax Treatment
Securities held ≤ six months	Fully Taxable
Securities held > six months	Shareholding ≤ 10% Tax exempted
	Shareholding > 10%* Half of the global tax rate

First €50,000 of long-term taxable gains (€100,000 for jointly taxed couples) in an 11-year period are tax exempt.

* A shareholding is significant when the transferor has owned, directly or indirectly, alone or together with their spouse/legal partner and minor children, more than 10% of the company's capital at any time during the five years preceding the sale.

Capital gains on sale of real estate

Capital gains on the sale of:	Tax Treatment
Real estate held < two years	Fully taxable
Real estate held > two years	One-quarter of global tax rate

First €50,000 of long-term taxable gains (€100,000 for jointly taxed couples) in an 11-year period are tax exempt.

An additional allowance of €75,000 is granted for capital gains on the sale of a property inherited through the direct line of inheritance, which was the parents' last main residence. Each spouse is entitled to this additional allowance in respect of their own parents.

- The tax rate on capital gains from the sale of real estate held for at least two years is reduced by half to one-quarter of the overall tax rate. The reduced rate applies to sales formalized by a notary in 2024.
- Capital gains and speculative profits made by individuals on the sale of real estate to the State, municipalities, inter-municipal associations, and the Housing Fund are exempt from taxes, unless the properties are alienated under a legal preemption right.

Step-up system for individuals

- For taxpayers who hold a significant participation, the tax value (>10%) of shares/convertible loans prior to an individual's transfer of residence to Luxembourg may be updated on the date of arrival to Luxembourg. Therefore, the latent capital gains generated before the residence change may be out of scope of Luxembourg taxation.

Rental income

Rental income is taxed in the country where the building is located. If the building is located in a double taxation treaty country, Luxembourg provides for an exemption. For Luxembourg residents, foreign rental income is accounted for when determining the global tax rate that applies to the taxable Luxembourg source income. For real estate located in a non-double-tax-treaty country, Luxembourg taxes the rental income and grants a tax credit against the taxes paid in the other country.

A leased or rented-out property's expenses (under certain conditions) can be offset against the rental income. In addition, the depreciation of the building's purchase price may apply at the following amortization rates:

For properties acquired or completed before 1 January 2021:

- less than six years since the construction was completed: 6%
- more than six years: 2%.

For properties acquired or completed after 1 January 2021:

- less than five years: 4%,
- more than five years: 2%.

For those taxpayers who acquire real estate property in calendar year 2024 and use additional tax credit set at €20,000 per person, special annual allowance is introduced in the form of an additional depreciation of 4% (special allowance) from the year of completion, and for the following six years (added to the 2% base depreciation).

The maximum amount of annual depreciation is capped at €250,000.

As from 1 January 2020, sustainable energy renovations in rented properties are depreciated at 6% if the completion date at 1 January of the tax year is less than nine years and State financial aid has been obtained.

To boost the supply of affordable housing, net rental income from approved bodies (covered by the modified law of 25 February 1979 concerning housing support) can benefit from a 90% exemption.

Taxpayers who realise net income from the rental of property, taxable in the Grand Duchy of Luxembourg and determined by taking into account an accelerated depreciation of 4% by virtue of article 106, paragraph 4 L.I.R. in respect of a building or part of a building acquired or constructed after 31 December 2020 and used for rental accommodation, the completion of which was less than five years before 1 January of the tax year, are entitled to a taxable income allowance known as a special property allowance.

Main residence

While construction is in progress	Mortgage interest (without limit) and other financial expenses are tax deductible.
Construction is finished but not owner-occupied	Mortgage interest (without limit), depreciation (including mortgage-related notary fees), and other financial expenses are tax deductible.
Construction is finished and owner-occupied	Only mortgage interests are deductible (up to certain ceilings): <ul style="list-style-type: none">from year of fixation of unitary value and five years: €4,000*between six and 10 years: €3,000*more than 10 years: €2,000*.

* Increased by the same amount for the spouse/partner and each child living in the taxpayer's household.

Special expenses

Special expenses	Maximum deductions/year
Mandatory social security contributions to the Luxembourg State scheme (first pillar) or to an eligible foreign State scheme (with application of a social security treaty)	Unlimited
Personal contributions to an occupational pension scheme (second pillar), also available for self-employed workers under certain conditions	Ceiling: €1,200 for employee/self-employed worker determined on a case-by-case analysis
Donations to qualifying charitable institutions – minimum yearly contribution of €120	Whichever is lower, €1 million or 20% of taxable income

For the following expenses, unless the taxpayer can prove higher expenses, a lump sum deduction of €480 per year is granted to every employee:

Special expenses	Maximum deductions/year
Alimony paid to a former spouse	€24,000
Debit interest on consumer loans, credit cards, or debit bank accounts, premiums for life, death, accident, disability, sickness, or third-party liability insurance	Overall ceiling: €672*
Single premium for death insurance linked to a mortgage loan on the taxpayer's principal residence	Increased ceiling: - €6,000 for the taxpayer for a period of five years - €1,200 per child living in the taxpayer's household Additional increase: Based on the taxpayer's age, 8% per year exceeding 30 years, limited to 160%
Contributions to qualifying home saving and loan schemes	Ceiling: €1,344* for individuals between 18 and 41 years old €672* for other cases
Premiums for voluntary pension scheme (third pillar) - applicable to each spouse/partner/individual subscriber	€3,200 per year, irrespective of the subscriber's age

* Increased by the same amount for the spouse/legal partner and each child living in the taxpayer's household when filing jointly.

Social security contributions

(as of 1 January 2024)

Coverage	Paid by employer	Paid by employee	Paid by self-employed
Sickness (1) (2)	2.8% or 3.05%	2.8% or 3.05%	5.6% or 6.10%
Pension (1)	8%	8%	16%
Mutual insurance (1) (3)	0.01%, 0.42%, 1.36%	-	0.01%, 0.42%, 1.36%
Accident (1) (4)	0.595% to 1.05%	-	0.595% to 1.05%
Health at work (1)	0.14%	-	-
Dependence insurance (5)	-	1.4%	1.4%
Total	11.45% to 13.60%	12.20% to 12.45%	23.605% to 25.91%

- Employer and employee social security contributions are capped, i.e. they apply up to a gross remuneration of €12,854.64 per month (€154,255.68 per year) at an index of €944.43.
- 3.05% on periodic remuneration, 2.80% on non-periodic remuneration (13th month, bonus, gratifications) and benefits in kind.
- The contribution rate depends on the financial absenteeism rate of the company's employees and is on a voluntary basis for self-employed persons.
- The rate varies depending on a bonus-malus factor.
- Dependence insurance is not capped and not tax deductible for Luxembourg income tax purposes.

Tax credits

Tax credit for employees/self-employed persons/pensioners (also applies to non-residents receiving a professional/pension income taxable in Luxembourg)

The tax credit for salaried individuals, pensioners, independent workers and taxpayers receiving a replacement income varies between €300 and €600 depending on the taxpayer's level of income.

The tax credit is abolished for taxpayers with an annual income below €936 or exceeding €80,000.

Tax credit for single parents (also applies to non-residents, but subject to conditions)

The tax credit granted to single parents increases to €2,505 if the yearly adjusted taxable income is below €60,000, but remains at €750 if the yearly income exceeds €105,000.

The tax credit is only reduced if the annual child alimonies exceed €2,424. This tax credit is available on a prorated basis (for each full taxation month) if the taxpayer is not subject to

Luxembourg individual income tax during the full tax year concerned.

Tax deductions

Education allowances for children who are not part of the taxpayer's household (also applies to non-residents receiving a professional income taxable in Luxembourg) €4,422 per annum, not applicable if parents live at the same address

A new tax credit has been introduced to compensate CO2 tax costs on lower salary ranges €168 per worker, which gradually reduces to €0 for wage earners deriving annual employment income reaching a threshold of €80,000

Extra-professional allowance for jointly taxed married couples if they both receive income from a salaried occupation and/or an independent occupation (also applies to non-residents receiving more than 90% of their own taxable worldwide professional income in Luxembourg, with some exceptions) €4,500 per annum

Extraordinary charges are tax deductible if they exceed a percentage of the taxpayer's taxable income. The percentage applied varies according to the taxpayer's taxable income and tax class. Alternatively, costs for childcare, and/or household employees and/or home assistance of disabled individuals are deductible. The deduction is capped at €5,400 on a yearly basis

Percentage of taxable income according to tax class (%)							
Tax class	1	1a or 2 with at least one child bonus, and this bonus amounting to 50% of the total child bonus					
Child(ren)		0	1	2	3	4	5
Less than €10,000	2	0	1	2	3	4	5
€10,000 - €20,000	4	2	0	0	0	0	0
€20,000 - €30,000	6	4	2	0	0	0	0
€30,000 - €40,000	7	6	4	2	0	0	0
€40,000 - €50,000	8	7	5	3	1	0	0
€50,000 - €60,000	9	8	6	4	2	0	0
over €60,000	10	9	7	5	3	1	0

Tax credits for children

Children who are part of the household have a right to:

- a family allowance (can be until the age of 25 if the child attends a secondary school/selected programme) and takes classes totaling at least 24 hours per week), or
- a scholarship (in cases of “études supérieures”, i.e. bachelor/university), or
- a volunteer’s allowance if they are part of a qualifying voluntary cooperative service.

If any of the above is not granted (e.g. because the children do not meet any of the above conditions or because the taxpayer falls under a foreign social security system), a tax relief of €922.50 (creditable against and up to the final income tax burden) per year per child may be applied for by filing an individual annual tax return.

Global mobility and people services

Tax Compliance & Mobility	Tax Advisory	HR Advisory
Preparation of personal tax returns for employees	Employment Tax Advice	HR Strategy
Entrance & Exit meetings with mobilw employees	Regulatory Compensation (CRR, AIFMD, UCITS) Advice & Audit	HR Optimisation (process, audit)
Tax Estimates & Tax Equalization for employees	Tax Controversy & Claim proceedings	Talent Management (team dynamic, recruitment)
Tax Assessment review of employees	Family & Wealth - Tax and succession advice	Employee journey (employee experience, transition support)

Tax Compliance & Mobility	Tax Advisory	HR Advisory
Mobility and tax relocation advice for HNWI & Families		
Personal tax returns for HNWI	Fixed comp. tax structuring (review, design, implementation) - e.g., Benefits, Inpatriate premium.	Reward Strategy (compensation & Benefits programs)
Personal tax returns for Directors and independents	Variable Comp. tax structuring (review, design, implementation) - e.g., Profit, Interest subsidies	Remuneration surveys Benchmark
	Pension (tax review and design)	Job Grading & Job descriptions
	Incentive tax structuring (review, design, implementation) - e.g., MIP, MEP, Options RSUs, RSAs	Employee Recognition & Retention
	Investment tax structuring (review, design, implementation) - e.g., MIP, MEP, Options, Carry, Co-investment	Career management (performance, competency mgt)
	Shareholding Structure & Succession (review, design, implementation)	

The merging of our HR Advisory and personal tax services allow us to provide an even higher caliber of service that seamlessly blends our expertise and both domains

Tax Compliance & Mobility
Tax Estimates & Tax Equalization for employees
Payroll & Shadow Payroll
REgistration & Administration

Immigration Services

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