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Belgium – Further Relief for Frontier Workers in Renegotiated Treaty with Luxembourg

Belgium's Minister of Finance Alexander De Croo confirmed[1] an amendment to the Belgium-Luxembourg double taxation treaty ("DTT") with respect to employment income. He also indicated that the legislative and negotiation process with respect to this amendment is already underway. The process should be wrapped up by the end of 2019. Subsequently, the updated rules are expected to become effective at the beginning of 2020.[2]

In May 2018, the ministers of finance for Belgium and Luxembourg agreed on the update of the DTT. It was agreed that Article 15 with respect to employment income would be amended, affecting the number of days for which individuals might work in the other country without obligation to actually have their employment income taxed in their country of tax residence.

WHY THIS MATTERS

The border between Belgium and Luxembourg is crossed many times every day by citizens of the two countries commuting to and from work in the other country – they are typically referred to as "frontier workers." The current rule specifies that employment income received by a commuting frontier worker who is resident in Belgium and working for a Luxembourg employer is exempt from tax in Belgium, to the extent that the employment is physically exercised on the territory of Luxembourg. However full exemption is available if the employee works a maximum of 24 working days in Belgium per calendar year.

The amended DTT will extend the working period where taxation does not arise from 24 days to 48 days per calendar year.

The "tolerance rule" of 24 days was established in December 2017 after two years of discussions and negotiations between Belgium and Luxembourg.[3] Considering the volume of workers commuting for work within the Benelux region, it is expected that the extension of the tolerance rule will be appreciated by frontier workers. The change to 48 days per calendar year should help lower administrative and compliance burdens for employees.

FOOTNOTES:

1 Chambre-2e Session de la 55e Législature (Question n°55001239C de 20/11/2019)

2 See the *Communiqué de presse* (in French) dated 16 May 2019.

3 For prior coverage, see "Belgium – Cross-Border Workers and the 24 Days Condition," in *Flash International Executive Alert* 2015-047 (27 March 2015), a publication of the KPMG Global Mobility Services practice. To obtain a copy of this report, please contact your local KPMG GMS or People Services professional.

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