

GMS Flash Alert

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Luxembourg - COVID-19: Tax, Social Security, Employee Relief Measures

The Luxembourg government has implemented a number of relief measures to help alleviate the effects of COVID-19 on the community. In this *GMS Flash Alert* we examine the effects of these measures, from tax and cross-border worker relief to social security and paid family leave.

WHY THIS MATTERS

The series of measures taken by Luxembourg's government is intended to bring relief to individuals and businesses as they deal with the changed situation in their daily lives and business operations arising from the restrictions tied to work, travel, and daily life.

The government's measures delay deadlines for certain tax payments and social security contributions, provide exemptions, and implement paid "extraordinary leave" for certain parents with no access to child-care. These steps should give companies and taxpayers some welcome breathing room to preserve their cash-flow and take additional time to organise their home, business, financial and tax affairs in these trying times.

Additionally, the travel restrictions caused by COVID-19 measures affect cross-border workers who face the risk of losing specific tax reliefs granted by Luxembourg. The mutual agreements therefore aim to ensure that cross-border workers will not suffer any tax disadvantages by working from home outside Luxembourg due to the COVID-19 situation.

Tax Extension and Cross-Border Workers

One of the more straightforward relief measures concerns income tax. The Luxembourg government has announced that the deadline to file individual income tax returns has been extended from 31 March to 30 June.¹

More complex, however, are measures to help cross-border workers. Luxembourg's workforce is atypical, with 200,000 employees crossing the borders from Belgium, France and Germany every day. This situation adds a layer of complexity for employers and employees alike, even under normal conditions, with neighbouring tax authorities limiting the number of days that employees can work in their country of residence without being taxed there.

In light of COVID-19, the Luxembourg government has reached a mutual agreement with all three bordering countries to help ensure that days worked at home due to social distancing measures do not have an impact on where income tax is paid.²

The Belgian, French, German and Luxembourg governments have announced that, in the case of a “force majeure” like the COVID-19 pandemic, days spent working from home do not count towards the 24-day (Belgium), 29-day (France) or 19-day (German) threshold.³ This means that, from 14 March, the presence of a worker at home in Belgium, France or Germany, including for remote working, will not be taken into account for these purposes. This measure will apply until a new order is issued.

KPMG NOTE

The general rule is that salaries are taxed in a person’s country of work, rather than in their country of residence. The number of days that cross-border workers from Belgium, France and Germany can work outside of Luxembourg before being taxed in their country of residence can be found in the double taxation treaties established between different countries. Luxembourg has separate treaties with all its neighbouring countries, so the number of days differs depending on the country in which the cross-border worker lives. When a cross-border worker exceeds the number of days he or she can work outside of Luxembourg, the resident country can recoup tax on compensation related to all the days that the individual worked outside of Luxembourg, not just the days exceeding the threshold.

This rule covers only working days, including working from home, training course attendance, and meetings abroad and other business trips. Holidays and illness do not count towards this threshold. The newly implemented “extraordinary leave for family reasons (COVID-19) to look after children,” described below, also will not count in the calculation of these working days.

Social Security Measures

The Luxembourg government has also introduced a number of social security measures to provide relief to the community. These relief measures include extending social security payment deadlines and introducing extraordinary leave for family reasons.

The Luxembourg Social Security authorities (*Centre Commun de la Sécurité Sociale* or “CCSS”) have implemented temporary measures, effective 1 April, allowing employers to postpone social security payments until a later, as-yet-undetermined date. The CCSS will keep all participating companies informed of new deadlines when the current COVID-19 measures come to an end.⁴

Paid Family Leave

Extraordinary leave for family reasons has also been granted to working parents who are unable to access additional child-care support at this time.⁵ This leave will remain in place until schools and child-care facilities have reopened.

To qualify for this leave, parents must:

- be affiliated with the Luxembourg social security scheme (including non-residents);
- have children under 13 years of age, or children with disabilities aged 13-18;
- have no other option for child-care but to take care of the children themselves.

When claiming this leave, employees working in the private sector will receive 100 percent of their salary. The State has agreed to fully reimburse employers, upon request, for this leave.

FOOTNOTES:

- 1 See the government's announcement (in English): "Business/Citizens: Covid-19: Taxpayer Support Measures" (18 March 2020) at: <https://guichet.public.lu/en/actualites/2020/mars/18-soutien-contribuables.html> . See the government's "Newsletter du 17 mars 2020" (in French) at: <https://impotsdirects.public.lu/fr/archive/newsletter/2020/n17032020.html> .
- 2 See the government's website "Coronavirus – Informations pour les entreprises" (scroll down and see the "Cas des Salaries Frontaliers" section) at: <https://meco.gouvernement.lu/fr/dossiers/2020/coronavirus-entreprises.html> . Also see the KPMG Luxembourg Expert Blog "[Covid-19 and Luxembourg cross-border workers: how will working from home be taxed?](#)"
- 3 For related coverage, see the following issues of GMS *Flash Alert*: [2020-191](#) (23 April 2020), [2020-155](#) (6 April 2020), and [2020-149](#) (3 April 2020).
- 4 See the government's announcement (in English) "Business: Covid-19: temporary measures concerning social security contributions" (20 March 2020) at: <https://guichet.public.lu/en/actualites/2020/mars/20-coronavirus-mesures-cotisations-sociales.html> . See "Mesures au niveau des cotisations sociales à implémenter dans le cadre de la crise COVID-19" (19 mars 2020) (in French) on the CCSS website at: <https://ccss.public.lu/fr/actualites/2020/03/19.html> .
- 5 See Luxembourg government's announcement (in English) "[Business/Citizens: \[Update\] Leave for family reasons in connection with the coronavirus epidemic](#)." See (in French) "[Entreprises/Citoyens: \[Mise à jour\] Congé pour raisons familiales lié au coronavirus](#)" (13.03.2020).

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