

GMS Flash Alert

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Luxembourg – Budget Bill Advances, Other Bill Proposes Unoccupied Housing Tax

Luxembourg's 2023 Budget Law provides for certain reliefs and benefits for taxpayers, including an extension of the filing deadline for corporate and personal income tax returns.¹ Of interest to globally-mobile employees and their employers will be the measure that would lower the annual fixed minimum salary entitling a globally-mobile employee to avail of the impatriate tax regime.

This newsletter also covers a measure in the draft property tax bill² that was filed on 10 October with the Luxembourg Parliament, concerning a new tax on unoccupied housing.

WHY THIS MATTERS

The 2023 Budget Bill includes personal income tax measures providing certain reliefs and simplification. It aims to provide relief in terms of deadline extensions and, in addition, enhance Luxembourg's appeal as a destination for globally-mobile employees with a lower salary qualification under its impatriate tax regime.

In addition, a new proposal regarding an unoccupied housing tax contained in the property tax reform bill may concern some international assignees who have left their properties vacant in Luxembourg.

Background

On 12 October 2022, Yuriko Backes, the Luxembourg Finance Minister, presented the 2023 budget (Bill 8081). A number of tax measures that were proposed are embodied in the 2023 draft Budget Law, which was passed by Parliament last week.

Bill 8082, the property tax reform bill, introduced in Parliament in early October, is currently with the *Commission des Affaires intérieures et de l'Égalité entre les femmes et les hommes*.

Bill 8081

Extension of Deadline for Filing Tax Returns

The yearly filing deadline has been changed from 31 March to 31 December for all individual tax returns, corporate, municipal business tax, and net wealth tax returns. The change would apply for the first time for FY 2022 for individual, corporate and municipal business tax, and for 2023 for net wealth tax.

Maintenance or Increase of Tax Credits

The tax credit on the minimum base salary – “Crédit d’impôt sur le salaire social minimum” (CISSM) – will remain unchanged.

The single-parent tax credit – “Crédit d’impôt monoparental” (CIM) – will be enhanced by increasing:

- the tax credit from EUR 1,500 to EUR 2,505.
- the maximum taxable income allowed to benefit from the maximum amount of tax credit, from EUR 35,000 to EUR 60,000.

Attraction of Key Talent to Luxembourg

The bill contains a measure that would lower the impatriate tax regime eligibility condition from an annual fixed minimum salary of EUR 100,000 to EUR 75,000.

Opening the participative premium in a group context: the 5 percent of the total positive result can – this is optional – be determined based on the global commercial profits of an integrated group (as defined under Article 164bis of the Luxembourg Income Tax Law (“LITL”)).

Other Changes

Restriction of the accelerated depreciation regime on rental real property, as introduced by Budget Law 2021:

- Lowering the rate from 6 percent to 4 percent.
- Only up to two properties.
- Only for buildings acquired or built after 31 December 2022.

These measures would enter into effect as from 1 January 2023.

Bill 8082’s New Tax on Unoccupied Housing ("Impôt national sur la non-occupation de logements / INOL")

We highlight this measure in Bill 8082, as it may concern a number of international assignees who own property in Luxembourg and who, due to their assignment, have left the house in Luxembourg unoccupied.

A house would be considered “unoccupied” when no individual has been registered there for the past six months, or, for example, if there is no energy consumption linked to it. This presumption is rebuttable, meaning that the taxpayer can justify the occupation or the non-occupation based on legitimate reasons. A national registry of unoccupied housing will also be implemented for this purpose.

This tax would be levied yearly at the national level (as opposed to municipality level), for an amount that would start at €3,000 and would incrementally increase by €900 per year of non-occupation, to reach a maximum annual amount of €7,500.

The INOL is not deductible for tax purposes.

The current Luxembourg property tax regime was established more than 80 years ago. The abolishment of the old unitary values of 1941 as per the new bill will also require adjustments in some tax provisions of the Luxembourg income tax law, including, among other, the determination of the acquisition price of real estate properties acquired prior to 1 January 1941, for the purpose of the computation of the capital gain realised on the disposal of such properties.

KPMG NOTE

Next Steps

Bill 8081 – A request to be exempted from the second vote was filed with the State Council. It remains to be seen how the State Council will rule. The swiftness with which this bill proceeds to promulgation depends on that ruling.

Bill 8082 – Once voted, the new law will not immediately enter into force because it will require a period of two years to implement the new registers, and related tools and processes. Assuming the bill is voted, for example, in July 2023 (i.e., before the end of the current legislative term), the new law would be effective as from September 2025. In such case, the INOL would be levied as from 2028.

Further Information

For more details on Bill 8081 (including corporate tax measures), see "Luxembourg 2023 Budget Law and EU Minimum Taxation Directive agreement" in [Luxembourg Tax Alert 2022-13](#) and "Luxembourg Government Presents the 2023 Budget Bill" in [Luxembourg Tax Alert 2022-09](#), publications of KPMG in Luxembourg

For more on the reforms of Luxembourg's property tax regime in Bill 8082, see "Luxembourg Government Presents the 2023 Budget Bill" in [Luxembourg Tax Alert 2022-09](#), a publication of KPMG in Luxembourg.

FOOTNOTES:

1 For the text and status of Bill 8081, see: <https://www.chd.lu/fr/dossier/8081> .

2 For the text and status of Bill 8082, see: <https://www.chd.lu/fr/dossier/8082> .

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