

GMS Flash Alert



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Luxembourg – Frontier Workers / Tele-work Agreements Nailed Down for 2023

Luxembourg and its neighbouring countries have been negotiating and signing agreements to further foster tele-work.^{1,2} At the heart of these agreements is establishing a threshold number of days during which a cross-border worker can tele-work from a country that is not Luxembourg, but may be his or her country of residence, without being subject to double taxation.

WHY THIS MATTERS

These mutual agreements aim to avoid the negative tax consequences for cross-border/frontier workers at risk of having their employment income become fully taxable in their states of residence and/or become subject to double taxation. Originally these arrangements arose due to the particularities of the Luxembourg work-force (i.e., half of the active population is commuting from other countries) and this has been reinforced due to the “stay at home” / “work from home” policies during the height of the COVID-19 pandemic that saw employees working not in their regular work locations, but, rather, from home. These arrangements allowed existing rules to be applied more flexibly.

This more flexible interpretation embodied in the agreements Luxembourg has signed with its neighbouring countries is expected to greatly simplify the tax and social security compliance obligations for many frontier workers (and their employers) who normally work in Luxembourg.

Companies should carefully consider the situation of individuals working in more than one country or individuals who regularly work from home or in third countries.

Further Details

While the freezing of the 25-percent social security threshold impacting cross-border workers has been extended until 30 June 2023, the tax ceilings are applicable again since last July 2022.

For 2023, said tax ceiling should be:

Belgium: 34 days;

France: 34 days;

Germany: 19 days.

Under the agreement negotiated with Belgium – and approved by the Luxembourg Chambre des Députés in May 2022 – the threshold will rise from 24 to 34 days retroactively to 1 January 2022. This agreement was ratified in December 2022 by Belgium, and should enter into force soon.

With respect to Germany, the threshold remains unchanged at 19 days.

According to a government agreement signed between France and Luxembourg on 7 November 2022, the threshold has been raised from 24 days to 34 days as from 2023.

FOOTNOTES:

1 See the "[Télétravail](#)" webpage on the website for the Luxembourg "Administration des Contributions Directes."

On the announcement of the agreement with France (in French), see:

https://mfin.gouvernement.lu/fr/actualites.gouvernement%2Bfr%2Bactualites%2Btoutes_actualites%2Bcommuniqués%2B2022%2B09-septembre%2B30-teletravail-frontaliers-francais.html .

2 See "[Télétravail: Période transitoire prolongée en matière d'affiliation à la sécurité sociale pour les travailleurs frontaliers](#)" (22 November 2022) on the government of Luxembourg website.

For related press reports (in French), see *(please note that by clicking on the below links, you are leaving the KPMG website for an external site (non-KPMG, non-governmental), that KPMG is not affiliated with nor is KPMG endorsing its content. The use of the external site and its content may be subject to the terms of use and/or privacy policies of its owner or operator)*:

See T. Toussaint, "Voici le résumé du débat sur le télétravail" in *RTL | 5Minutes* (online (27 January 2023) at: <https://5minutes.rtl.lu/actu/luxembourg/a/2022944.html> .

See *L'Essentiel* (online), "Le pays discute avec ses voisins pour augmenter le télétravail" at: <https://www.lesentiel.lu/fr/story/le-pays-travaille-avec-ses-voisins-pour-augmenter-le-teletravail-289077814990> .

See M. Obert, "Le Luxembourg veut élargir le télétravail frontalier" in *Paperjam* (online) (12 October 2022). <https://paperjam.lu/article/luxembourg-ouvert-a-elargir-te> .

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