

Various changes concerning Luxembourg wage tax (as of 18.01.2024)

There will be various changes to Luxembourg tax law at the start of 2024, particularly in the area of wage tax.

Most of the changes result from the amendment of the double tax treaty (“DTT”) between Germany and Luxembourg as of 01.01.2024 and the associated consultation agreement of 11.01.2024.

We have summarized the most important changes in the area of wages for you below.

De minimis limit DTT Germany - Luxembourg for activities outside Luxembourg:

The de minimis limit has been raised from 19 to 34 days, i.e. if the activity was performed on less than 35 working days in the country of residence/third country, Luxembourg has the sole right of taxation. The "counting day" for determining the limit is any remunerated activity of 30 minutes or more. The de minimis threshold is not reduced (pro rata) for employment in Luxembourg during the year or for part-time employees.

If the de minimis limit of 34 days is exceeded, the pro rata remuneration is taxable from the first day in the country of residence, Germany. The working time records must be kept to the minute in accordance with the consultation agreement.

The de minimis limit of 34 days now also applies to public sector employees.

If you require more detailed information on the changes, please do not hesitate to contact us.

Severance pay, leave of absence with continued payment of wages:

There are also changes to the taxation of severance payments and exemptions with continued salary payments. This depends, among other things, on the type of severance payment and requires an individual assessment. We will be happy to support you in this.

Further innovations in the area of wages:

- Abolition of economic tax credit and new tax table:
 - o The cyclical tax credit (CIC) was valid from January 2023 up to and including December 2023. From January 2024, it was replaced by the adjustment of the tax table. The adjustment will reduce the tax burden on wages and salaries through payroll tax.
- CO2 tax credit (CI-CO2):
 - o The law passed on July 5, 2023 introduces a CO2 tax credit (CI-CO2), which is intended to compensate low-income earners for the costs resulting from successive increases in the CO2 tax from January 1, 2024. The CO2 tax credit is linked to the Crédit d'impôt salaire (CIS). If an employee does not receive a CIS, no CO2 tax credit is granted.
- Chèque repas:
 - o The nominal value per chèque repas has been increased to a maximum of EUR 15.00; the employee contribution of EUR 2.80 per chèque remains unchanged. The increase from EUR 10.80 to EUR 15.00 is not mandatory for the employer. In addition, a maximum of 5 meal vouchers per day may be used for restaurant visits/"take-out" or food purchases. From 2025, meal vouchers will also only be issued in digital form (card, app).

- Europe Day / Ascension Day:
 - o The two public holidays "Europe Day" and "Ascension Day" fall on the same day this year (Thursday, May 9, 2024). There is currently a draft law before the Luxembourg Chamber of Deputies which - if the draft law is adopted - stipulates that there will be a compensatory day for employees in Luxembourg for the double public holiday.

If you have any questions about the changes mentioned above or require assistance in assessing tax issues, please do not hesitate to contact us.

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