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AMCHAM & BCC Personal Tax Lunch

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14th November 2022

The Agenda

1**TAX BASICS**

A refresher on Luxembourg tax basics including Luxembourg tax residency, income, deductions and deadlines.

2**LUXEMBOURG TAX CHANGES**

An overview of recent changes affecting taxpayers.

3**HOT TOPICS**

Some hot topics impacting our clients: digital assets, setting up a business in Luxembourg and double taxation for non-resident taxpayers.

4**UK & US UPDATES**

Updates for Luxembourg taxpayers with ongoing US & UK tax filing obligations.





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TAX BASICS

LUXEMBOURG RESIDENCY



RESIDENTS

- Report worldwide income

NON-RESIDENTS

- Taxable on Luxembourg sourced income
- Election possible for resident treatment under certain conditions

PART-YEAR RESIDENTS

- Year split into resident & non-resident periods
- Election possible for full year taxation

JOINT TAXATION



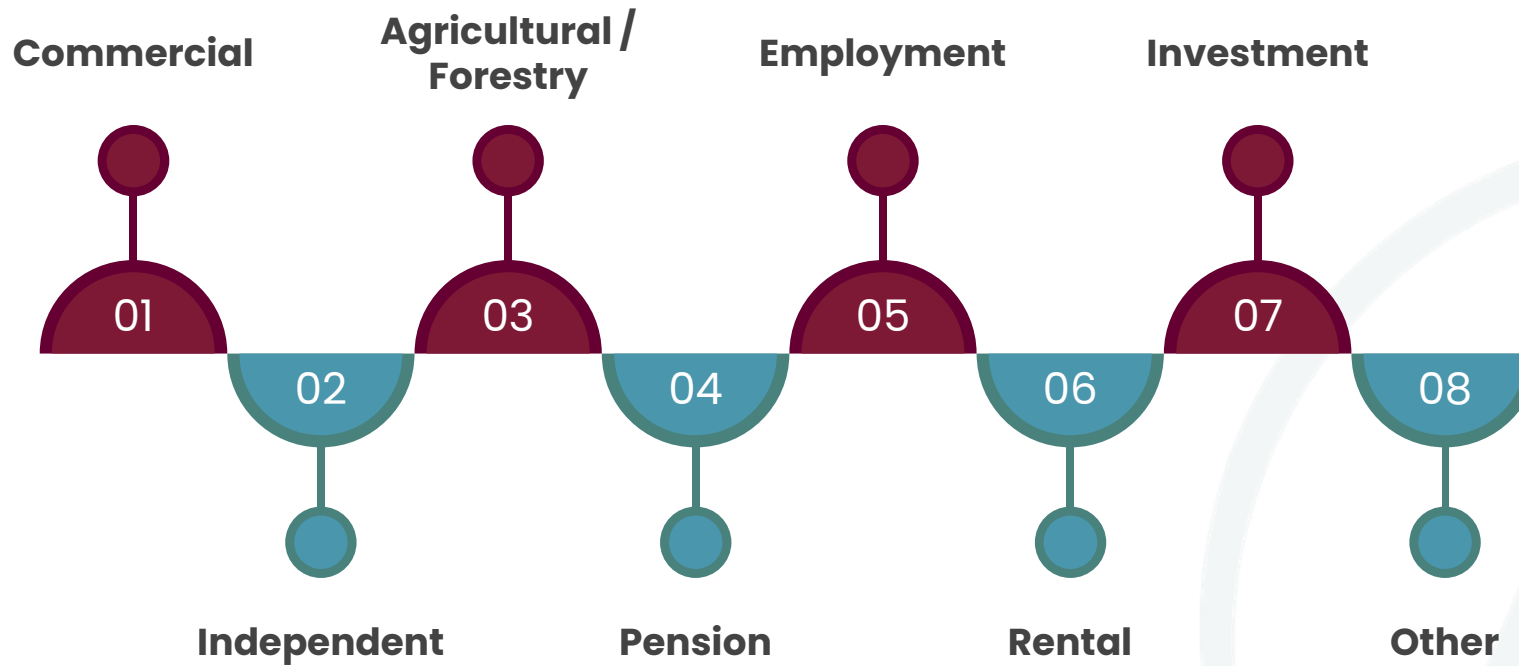
- Single taxpayers
- Default for non-resident taxpayers
- Default for Registered Partners
- By election for married couples resident in Luxembourg

TAX CLASS 1 or 1A

- Default for married couples who are both Luxembourg resident
- Default in the year of divorce/legal separation
- Optional for Registered Partners
- By election for non-residents (if conditions met).
- By election for spouses with different residencies (if conditions met)

TAX CLASS 2

CATEGORIES OF INCOME



COMMON DEDUCTIONS / CREDITS

2022	
Mortgage interest (*)	€1,000 - €2,000
Debit Interest (*)	€672
Insurance (*)	
Personal Pension	€3,200
Home Savings Scheme (*)	€672 - €1,344 (conditions / restrictions apply)
Childcare/Housekeeping	€450 / month
Support for children outside household	€4,020/ child
Single parent tax credit ** UPDATE **	Up to € 2,505
Alimony	Up to € 24,000
Self-employed pension	Up to 20% of net SE income

(*) limits apply per member of household

DEADLINES

FORM 100 & FORM 163



- **** NEW ** Official deadline : 31 December Y+1**
- Late filing of Form 163 is not accepted

TAX ASSESSMENTS



- Generally received 6-18 months after submission
- Tax office have 5 years to issue assessment
- Tax due within 30 days

WHY DO I OWE?

Tax Class 2

- Withholding in payroll is too low

Foreign income

- It increases the tax rate on the Luxembourg income

Other income

- Income that has not been taxed at source

APPEALS

LOCAL APPEAL



- **Timeline** : 3 months after the tax assessment is issued

HIGH LEVEL APPEAL



- If local appeal not accepted
- If local appeal not processed within timeframe
- Appeal at level of Direction
- Takes a **LONG** time to get a response
- Have to pay any assessed taxes in the meantime

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TAX CHANGES

LUXEMBOURG TAX UPDATES



- Belgium (*) & France increased limit for non-Luxembourg working days to 34
- Covid-19 working from home agreement (with border countries) ended on 30/6/2022
- EU social security working from home agreement ends on 31/12/2022

- CIE credit introduced
- Filing deadline now 31 December
- CIS & CIM credits improved
- Rental bonus depreciation to be limited
- New e-filing option

- Expat regime salary now EUR 75k
- Prime Participative – 5% profit is from group not just branch
- Standard TVA rate reduced to 16%

(*) from 1/1/2022 – validated by Lux but not yet by Belgium



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HOT TOPICS

CRYPTO & DIGITAL ASSETS

Reporting transactions

- Cryptocurrency is NOT a currency
- Every transaction is reportable e.g. BTC to ETH
- Staking/Mining/Airdrops etc. all income
- Conversion to FIAT

Tax office focus area

- Many recent cases in US
- Exchanges being forced to report
- Not just cryptocurrency

Question on 2022 US tax return

"At any time during 2022, did you: (a) receive (as a reward, award, or compensation); or (b) sell, exchange, gift, or otherwise dispose of a digital asset (or a financial interest in a digital asset)?"

The future...?

...taxpayer audits

SETTING UP A BUSINESS

IMMIGRATION

- Do you have the correct immigration status?

BUSINESS LICENCE

- Required for independent workers and/or via a Corporate entity

VAT REGISTRATION

- Either as employee or independent

OTHER REGISTRATIONS

- CCSS, Tax office, payroll etc.



NON-RESIDENT PAYROLL



NON-RESIDENT (BORDER COUNTRIES)

- If exceed workdays limit (BE = 34, FR = 34, DE = 19)



NON-RESIDENT (OTHER COUNTRIES)

- Any non-Luxembourg workdays



SPECIAL CASES

- Teleworking due to Covid-19 : BE/FR/DE : thresholds “ignored” until 30 June 2022

NON-RESIDENT PAYROLL : EXAMPLE

	Income	Days (Lux)	Days (UK)	Luxembourg Payroll		Lux & UK Tax Returns	
				Taxable Lux	Exempt Lux	Taxable Lux	Taxable UK
January	€ 5,000	20		€ 5,000	€ -		
February	€ 5,000	15	5	€ 3,750	€ 1,250		
March	€ 5,000	10	10	€ 2,500	€ 2,500		
April	€ 5,000	5	(vacation)	€ 5,000	€ -		
May	€ 5,000	20		€ 5,000	€ -		
June	€ 5,000	20		€ 5,000	€ -		
	€ 30,000	90	15	€ 26,250	€ 3,750	€ 25,714	€ 4,286
		85.7%	14.3%			85.7%	14.3%

Potentially €536 of double taxed income

- UK tax resident
- Luxembourg employee
- Commutes London to Luxembourg
- Some working from home in UK & business trips (taxable in UK)
- Luxembourg payroll exemption calculated month-by-month
- Tax sourcing calculated on annual basis (OECD guidance)

LUXEMBOURG PAYROLL
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FINAL TAX

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UK & US Updates

UK TAXES

New tax treaty with Luxembourg

- Not yet in force
- Changes to employment article
- Changes to pension article

Other

- Continued focus on disclosure of foreign income, foreign tax credit claims etc.
- Capital Gains Tax return & payment due within 60 days after sale of UK real estate.



US TAXES

Penalty relief

- Late filing penalties 2019 & 2020 to be repaid
- Student Loan Forgiveness

Problems cashing cheques!!

Foreign specific reporting

- Excess US IRA contributions
- Ownership of foreign entity (generally > 10%)
- Holding non-US mutual funds or similar investments
- Gifts, inheritance, trusts



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The Team



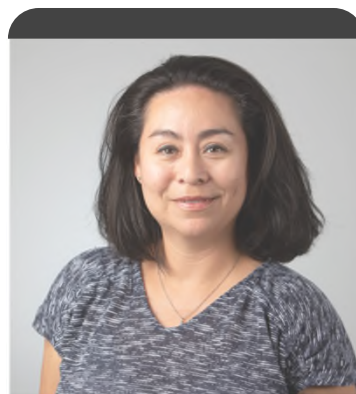
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THANK YOU!

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