PINBOARD

JANUARY 2023

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1 JANUARY 2023: NEW SOCIAL PARAMETERS FOR THE CALCULATION OF WAGES

As every year, various parameters that have a direct impact on the calculation of wages are adapted on 1 January.

> Increase of the Minimum Social Wage

On 1 January 2023, the minimum wage is increased by 3.2%, bringing the unskilled minimum social wage to € 2,387.40 and the skilled minimum social wage to € 2,864.88.

Index 877.01	Unskilled minimum social wage	Unskilled minimum hourly rate	Skilled minimum social wage	Skilled minimum hourly rate
2022	€2,313.38	€13.3721	€2,776.05	€16.0465
2023	€2,387.40	€13.80	€2,864.88	€16.56

> New rates for the Mutual Insurance contribution

The rates of the "Employers' Mutual Insurance " contribution were changed on 1 January. Companies are each year divided into 4 contribution classes according to the financial absenteeism rate of their employees.

Class	1	2	3	4
Contribution rates 2022	**0.60%**	**1.13%**	**1.66%**	**2.98%**
Contribution rates 2023	**0.72%**	**1.22%**	**1.76%**	**2.84%**

> New social security contribution ceilings

The basis for the monthly calculation of social security contributions is capped at five times the monthly minimum social wage. Above these ceilings, (employer and employee) social security contributions are no longer levied, with the exception of the 1.4% contribution for long-term care insurance.

Monthly ceiling	€11,936.98 (index 877.01)
Annual ceiling	**€143,243.76(index 877.01)**

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> New values for the no claims bonus factor for Workmen's Compensation insurance

In order to raise awareness of occupational health and safety issues and to reward companies that have made efforts to take preventive measures, the no claims **bonus factor will be reduced from 0.9 to 0.85 as of 1 January 2023.**

> New wage ceiling for obtaining the student/trainee tax exemption

Upon applying and in order to benefit from the tax exemption permitted by Luxembourg Inland Revenue, trainees and students must now receive a salary net of tax and social security contributions of no more than **€16 per working hour.**

> New Single Parent Tax Credit

As of 1 January 2023, the single-parent tax credit is set as follows:

- for an adjusted taxable income of the taxpayer below €60,000, the single-parent tax credit amounts to €2,505;
- for an adjusted taxable income between €60,000 and €105,000, the single-parent tax credit amounts to [2,505 - (adjusted taxable income - 60,000) x 0.039];
- for an adjusted taxable income of the taxpayer above €105,000, the single-parent tax credit amounts to €750.

> New Minimum Social Wage Tax Credit

As of 1 January 2023, the minimum social wage tax credit for a gross monthly salary or, where applicable, a notional gross monthly salary is fixed as follows:

- from €1,800 to €3,000: €70 per month;
- from €3,000 to €3,600: €70 / 600 x [3,600 - gross monthly salary (notional)] per month.
- For gross monthly wages or notional gross monthly wages that do not amount to at least €1,800 euros or exceed €3,600, the minimum social wage tax credit is not granted.

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> New amounts for subsistence/travel expenses

For Luxembourg, the day allowance for Luxembourg is still set at €14 and the night allowance at €56.

The amounts for other countries and cities have been modified, however, in particular the night allowances for Belgium/Brussels, London, Berlin and Munich.

Furthermore, for the countries holding the Presidency of the Council of the European Union, the maximum night allowance amounts are increased by 10% during the Presidency.

Country/City	Day allowance	Night allowance
Luxembourg	€14	€56
Belgium	€50	**€160**
Brussels	€60	**€250**
France	€60	€170
Paris / Strasbourg	€60	€250 / €230
United Kingdom	€70	€200
London	€90	**€280**
Germany	€60	€195
Berlin / München	€60	**€220**

2 BENEFIT IN KIND – COMPANY CARS: NEW RATES AS OF 2023 AND 2025

Following the entry into force of the reform of the taxation of company cars, **only cars with zero or low emissions are now eligible for lighter taxation.** By way of reminder, this reform will take place in two phases: a **first phase as of 2023** and **a second phase as of 2025.**

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> New rates for the calculation of the benefit in kind as of 2023

C02 emission category	Percentage of vehicle value (new with VAT included)				
	Vehicle without diesel engine	Vehicle with diesel engine	Hydrogen fuel cell vehicle	100% electric vehicle	
				≤ 18 kWh /100 km	> 18 kWh /100 km
0 g / km	/	/	0.5	0.5	0.6
> 0 - 50 g / km	0.8	1.0	/	/	/
> 50 - 80 g / km	1.0	1.2	/	/	/
> 80 - 110 g / km	1.2	1.2	/	/	/
> 110 - 130 g / km	1.5	1.6	/	/	/
> 130 g / km	1.8	1.8	/	/	/

Please note: All vehicles **ordered and registered in 2022** are subject to the above rates **as of 1 January 2023.**

As of 2025, The second phase of the reform will be implemented. The regime will be simplified for company cars newly registered as of 1 January 2025, for which no contract will be signed before 31 December 2024, and will be particularly favourable to cars with zero CO2 emissions.

> New rates for the calculation of the benefit in kind as of 2025

C02 emission category	Percentage of vehicle value (new with VAT included)			
	Other engines		100% electric vehicle	
			≤ 18 kWh /100 km	> 18 kWh /100 km
0 g / km	/	/	1.0	1.2
> 0 g / km	2.0	2.0	/	/

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3 SOCIAL SECURITY INVOICE: ABOLITION OF THE ADVANCE PAYMENT OF SOCIAL SECURITY CONTRIBUTIONS

AFor a more balanced distribution of the burden of social security contributions to be paid during the different months of 2023, the Tripartite Agreement had decided **to abolish the advance payment of social security contributions for employers as of 1 January 2023.**

A Grand Ducal Regulation of 16 December upheld this measure. In practice, this means that the advance payment on social security contributions is abolished as of 1 January 2023.

In view of the two-month time lag in the invoicing of social security contributions, the items on the account statements will change in the coming months as follows:

Invoice issued in January 2023 = Contributions for November 2022 − Disposal of the advance payment for November 2022 + Advance payment for December 2022

Invoice issued in February 2023 = Contributions for December 2022 − Disposal of the advance payment for December 2022

Invoice issued in March 2023 = Contributions for January 2023

Consequently, the invoice issued in March 2023 will only mention the contributions due for the month of January 2023. The same applies to subsequent invoices, i.e. only the contributions due are shown.

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4 SALARY INDEXATIONS TO BE EXPECTED!

According to the latest STATEC data, no indexation is planned for January because next index bracket will be triggered only when the half-yearly average of the index reaches 964.64.

A first estimate of the annual inflation rate will be published on 1 February and the January 2023 index results will be published on 15 February after the monthly meeting of the Index Commission.

Several indexations are at this time planned in the course of 2023 according to the latest STATEC estimates, subject of course to the evolution of price inflation.

Therefore:

- **a first indexation should take place in the first quarter of 2023;**
- **the confirmed indexation of July 2022 postponed to April 2023:** following the first meeting of the Tripartite Agreement in March 2022, it was decided that the tranche triggered in the summer of 2022 would be postponed until 1 April 2023 and compensated by the implementation of the Energy Tax Credit;
- **a third indexation** should take place **at the end of 2023.**

In addition, and in the event that a third indexation in 2023 is triggered, the Government has committed itself via the Tripartite Agreement meeting in September 2022 to compensate fully the impact on companies' wages during the rest of the year.

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5 TELEWORKING: TAX AND SOCIAL SECURITY TOLERANCE THRESHOLDS

It should be borne in mind that tax and social security tolerance thresholds are applied to cross-border employees working outside Luxembourg, if they do not wish to be impacted fiscally and socially.

As of 1 January 2023, the tax tolerance thresholds provided for in the double taxation agreements are as follows:

- **34-day** threshold for **French** residents;
- **34-day** threshold for **Belgian** residents;
- **19-day** threshold for **German** residents.

By way of reminder, these tolerance thresholds allow non-resident employees working for a Luxembourg employer to work occasionally outside Luxembourg without triggering taxation in their country of residence. In other words, below the above-mentioned thresholds, cross-border commuters can telework without being fiscally impacted.

All the days worked outside Luxembourg, whether in teleworking, in training or on business trips must be taken into account for the calculation of these tolerance days.

Therefore, **each fraction of a day worked outside Luxembourg counts as a full day.**

The important criterion for the social security aspect is the substantial activity of the employee in his country of residence since when he works at least 25% of his working time and/or receives 25% of his remuneration in his country of residence, all the remuneration received in the different countries is subject to a single social security scheme, that of his country of residence.

Teleworking days consequently add to this 25%, limiting the possibilities for cross-border commuters to telework if they want to remain affiliated to the Luxembourg social security system.

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Nevertheless, the transitional period, currently running **until 30 June 2023,** provides for "an administrative tolerance, allowing cross-border commuters to continue to telework from home, without fear of changing their social security affiliation if the threshold provided for in the European legislation is exceeded".

For more information on the social and fiscal consequences of telework, please visit our dedicated page on our website: www.securex.lu

6 PROFIT SHARING BONUS: GROUP RESULTS TAKEN DULY INTO ACCOUNT TO CALCULATE THE 5% LIMIT

In order to give greater flexibility to **groups of companies residing in Luxembourg** which employ their staff in different entities of the group, but whose results are consolidated at the level of the Luxembourg parent company, the Tax Administration has opted to relax a condition for granting of a participatory bonus.

Pursuant to tax act of 23 December 2022 in fact, **the positive algebraic sum of the results of the entities of the same fiscally integrated group** can now be considered for the calculation of **the 5% limit**, instead of the positive result of the financial year per company taken individually.

The 5% limit is therefore the total of the results of all the constituent companies of a group.
This measure however seems to concern only groups of companies all of whose different entities are established in Luxembourg.

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7 TAX REGIME FOR IMPATRIATES: EASING OF ELIGIBILITY CONDITIONS

In order to be eligible for the impatriate tax regime, the minimum fixed annual remuneration condition is now lowered to **€75,000 per year.**

Pursuant to Article 115.13b of the LIR (Income Tax Act), the incoming employee had to be able to claim a minimum remuneration of €100,000 euros per year (excluding benefits in kind or in cash) since 1 January 2021.

In order to remain competitive and in view of the increased difficulties in recruiting qualified employees, the Ministry of Finance decided to lower the requirement so as to be able to attract more foreign talent.

8 TEMPORARY VAT REDUCTION

Following the last Tripartite meeting in September 2022 which was then given concrete shape by the Act of 26 October 2022, **a 1% reduction in VAT** applies to all products and services, without restriction as to activity, **between 1 January 2023 and 31 December 2023.**

This reduction concerns the following rates:

- the reduced standard rate is reduced from 17% to 16%;
- the reduced intermediate rate from 14% to 13%; and
- the reduced rate from 8% to 7%.

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