



Personal income tax measures applicable as of 1st January 2013

➤ New tax bracket

The income tax grid has been modified in order to add a new income bracket which will be taxable at the marginal tax rate of 40% (excluding the contribution to the unemployment fund). This new rate will be applicable to the taxable income exceeding:

- €100,000 per year for the taxpayers in tax class 1;
- €35,250 per year for the taxpayers in tax class 1a;
- €200,000 per year for the taxpayers in tax class 2.

➤ Contribution to the unemployment fund

For taxable income not exceeding €150,000 per year (in tax class 1 and 1a) or €300,000 per year (in tax class 2), the contribution to the unemployment fund is increased from 4% to 7%.

For taxable income exceeding €150,000 per year (in tax class 1 and 1a) or €300,000 per year (in tax class 2), the contribution to the unemployment fund is increased from 6% to 9%.

Consequently, the marginal tax rate amounts to:

- 42.80% including the contribution to the unemployment fund of 7% ($40\% \times 1.07$)
- 43.60% including the contribution to the unemployment fund of 9% ($40\% \times 1.09$)

➤ Commuting expenses between home and place of work

Commuting expenses between home and place of work are covered by a lump-sum deduction granted regardless of the mean of transport used.

Effective 1st January 2013, the first four distance units (€396) are no longer taken into consideration, reducing the maximum lump sum deduction to €2,574 (instead of €2,970).

	2012	2013
Minimum lump sum deduction for first four distance units	€396	
Maximum lump sum deduction for thirty distance units	€2,970	€2,574



➤ **Withholding tax rates in relation with additional tax cards**

Withholding lump-sum tax rates in relation with the additional tax cards are fixed as follows:

Tax class	Withholding tax rates
1	33% (instead of 30%)
1a	21% (instead of 18%)
2	15% (instead of 12%)

➤ **Deduction for debt interest**

Deduction for debt interest on consumer loans and bank accounts is reduced by half. The annual deductible ceiling is decreased from €672 to €336 per person in the taxpayer's household.

➤ **Tax cards**

As from tax year 2013, all tax cards will be issued by the competent tax office RTS. The municipalities will no longer be responsible for issuing tax cards. The annual tax census is therefore abolished.

➤ **Stock options**

Grant of listed or freely transferable options represents a taxable benefit in kind at time of granting to the employees.

The taxable benefit related to the freely transferable options (not listed options) corresponds to the deemed market value of the options at the date of grant.

If there is no application of a recognized financial method as the Black & Scholes method, it is possible to fix the taxable benefit at 17.5% of the value of the underlying shares (instead of 7.5% before). This lump-sum evaluation must be in line with reasonable conditions (circular L.I.R. n°104/2 dated 20 December 2012 replacing the circular L.I.R. n°104/2 dated 11 January 2002).

➤ **Tax brackets' de-indexation**

The tax provision aiming to index the tax brackets in order to eliminate the effects of the inflation on the taxation is abolished.



CONTACTS

Janique Bultot

+352 47 68 47- 445

Janique.Bultot@ifgroup.lu

Julie Ratajczak

+352 47 68 47 - 473

Julie.Ratajczak@ifgroup.lu

121, avenue de la Faïencerie
L-1511 Luxembourg

IF Group is not responsible for any errors, omissions or for the results obtained from the use of this information. The information contained in this document is for general guidance on matters of interest only.