



Frontier workers: update on the taxation of the salaries further to the signature of the new double tax treaty concluded with France

On March 20th this year, Luxembourg and France signed a new double tax treaty replacing the former treaty dating from 1958. This new treaty should enter into force on January 1st, 2019^[1].

The new treaty includes international standards according to the latest OECD tax treaty model.

Thus, the new treaty puts an end to the uncertainty surrounding the taxation of the French frontier workers performing, on an occasional basis, their activity outside Luxembourg.

Henceforth, the adopted rule for the French frontier workers is the same as for that applying to Belgian and German frontier workers.

That said, a French resident working for a Luxembourg company is taxable in Luxembourg provided that he physically performs his professional activity in Luxembourg.

In the context of an additional agreement, France and Luxembourg have nevertheless agreed on a tolerance threshold of 29 days. The French frontier worker can therefore work a maximum of 29 days per year outside Luxembourg (in France or in a third country) on behalf of his Luxembourg employer without triggering a taxation in France.

By contrast, if the tolerance threshold of 29 days is exceeded (by adding homeworking's days and/or any activity in France or in a third country), the frontier worker is taxable in France for all the days of activity performed outside Luxembourg. In this case, the employer must implement a tax split (in order to limit the Luxembourg withholding tax at source on the portion of the salary which is taxable in Luxembourg).

[1] Provided that both countries proceed with the ratification of the treaty in due time.

Overview of the tolerance threshold applicable to frontier workers

	<i>Tolerance threshold</i>	<i>Agreement date</i>	<i>Application</i>
<i>French frontier workers</i>	29 days per year	20.03.2018	As from 2019 tax year
<i>Belgian frontier workers</i>	24 days per year	05.02.2015	As from 2015 tax year
<i>German frontier workers</i>	19 days per year	26.05.2011	As from 2011 tax year or previously (for taxation not definitively established at the date of signature of the agreement)

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