

PAYROLL ALERT

MODIFICATION OF THE IMPATRIATE TAX REGIME

The impatriate tax regime, previously foreseen by circular LIR no 95/2 of 27 January 2014, was transposed into the tax law with the effect on 1 January 2021 (art. 115 no 13b LIR) and has undergone certain changes.

Impatriates whose entry into service in Luxembourg is during the years 2016 to 2020 and who meet all the conditions of the new article 115 no 13b LIR, are eligible to benefit from the exemptions indicated therein. For these employees, it is mandatory to apply this new regime retroactively since 1 January 2021.

The tax regime foreseen by the repealed circular continues to apply, within the limits and under the conditions described therein, to impatriates whose entry in service in Luxembourg is during the years 2016 to 2020 provided that the employees concerned do not benefit from the provisions of article 115 no 13b LIR.

Every employer who applies the impatriate tax regime to the employees whose entry into service in Luxembourg is during the years 2016 to 2020 is therefore obliged to analyze **case by case** if they fulfill the eligibility conditions of the new regime.

The main changes in the conditions of application of the regime are the following ones:

- ▶ Repeal of the condition to hire at least 20 employees;
- ▶ Alleviation of the condition of tax residence;
- ▶ In case of direct recruitment, removal of the obligation to demonstrate difficulties of recruitment for the position concerned;

- ▶ Increase of the minimum remuneration of the impatriate from €50.000 to €100.000 per annum (annual base remuneration excluding benefits and bonuses).


The expenses borne by the employer that may benefit from a tax exemption (under conditions) when refunded to the impatriate remain unchanged. For the record, the main eligible expenses are moving expenses, housing expenses as well as school fees.

The current lump sum indemnity is replaced by an impatriation allowance, which benefits from a 50% tax exemption provided it does not exceed 30% of the annual base salary of the impatriate (excluding benefits and bonuses).

Finally, the regime will be applicable during a period of 8 years instead of 5 years currently (in addition to the year of arrival in Luxembourg).

How can BDO assist you?

- ✓ Analysis of the conditions of the transition between the old and the new impatriate tax regime
- ✓ Analysis of the eligibility to the regime of the new employees
- ✓ Optimisation and implementation of the regime
- ✓ Annual reporting



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INTERESTED?

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