

Luxembourg

Table LU.1: Tax Revenue

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Ranking 2019	Revenue 2019 (billion euros)
A. Structure by type of tax															
as % of GDP															
Indirect taxes	13.1	12.5	12.6	12.4	12.4	12.9	12.9	13.2	11.1	11.2	11.5	11.8	11.6	24	7.4
VAT	6.1	6.3	6.7	6.6	6.7	7.2	7.4	7.6	5.7	5.7	5.9	6.0	6.0	26	3.8
Taxes and duties on imports excluding VAT	3.7	3.6	3.6	3.3	3.3	3.3	3.1	3.0	2.5	2.5	2.5	2.5	2.6	2	1.6
Taxes on products, except VAT and import duties	1.3	1.0	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	1.0	1.1	1.0	26	0.6
Other taxes on production	2.0	1.6	1.5	1.7	1.5	1.6	1.7	1.7	2.0	2.1	2.2	2.2	2.1	8	1.3
Direct taxes	13.3	13.9	14.4	14.4	14.0	14.4	14.4	13.8	14.5	14.8	15.2	17.0	16.7	3	10.6
Personal income taxes	7.2	8.0	7.9	7.9	8.2	8.4	8.7	8.7	9.1	9.1	8.9	9.3	9.3	9	5.9
Corporate income taxes	5.3	5.3	5.6	5.8	5.0	5.1	4.8	4.3	4.4	4.5	5.1	6.3	5.9	1	3.8
Other	0.7	0.7	0.9	0.8	0.8	0.9	0.9	0.8	1.0	1.2	1.2	1.4	1.5	3	0.9
Social contributions	10.0	10.5	11.5	10.9	10.8	11.2	11.0	10.6	10.7	10.5	10.8	10.8	10.8	17	6.8
Employers'	4.3	4.4	4.9	4.7	4.6	4.8	4.6	4.4	4.5	4.4	4.5	4.5	4.5	21	2.8
Households'	5.7	6.0	6.6	6.2	6.2	6.4	6.4	6.2	6.2	6.1	6.3	6.3	6.3	9	4.0
Less: capital transfers⁽¹⁾	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Total	36.3	36.9	38.4	37.7	37.2	38.5	38.3	37.6	36.2	36.4	37.5	39.6	39.1	11	24.9
B. Structure by level of government															
as % of total taxation															
Central government	68.7	67.8	66.3	67.4	67.0	67.7	68.4	69.2	67.5	67.6	67.4	68.3	67.8	7	16.8
State government⁽²⁾	:	:	:	:	:	:	:	:	:	:	:	:	:		
Local government	4.4	4.5	4.5	4.3	4.6	4.0	3.5	3.3	3.6	3.9	4.1	4.5	4.8	16	1.2
Social security funds	26.7	27.6	29.1	28.2	28.3	28.2	28.0	27.4	28.6	28.0	28.0	26.5	26.8	20	6.7
EU institutions	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.5	0.6	0.6	0.7	4	0.2
C. Structure by economic function															
as % of GDP															
Consumption	10.3	10.4	10.8	10.5	10.5	11.1	10.9	11.0	8.6	8.6	8.7	8.9	9.0	26	5.7
Labour	15.2	16.3	17.3	16.7	16.8	17.5	17.9	17.4	17.6	17.3	17.5	17.9	17.9	13	11.4
of which on income from employment	13.4	14.3	15.1	14.7	14.7	15.3	15.4	15.0	15.2	14.9	15.2	15.6	15.6	15	9.9
Paid by employers	4.3	4.4	4.9	4.7	4.6	4.8	4.6	4.4	4.5	4.4	4.5	4.5	4.5	22	2.8
Paid by employees	9.1	9.9	10.3	10.0	10.1	10.5	10.8	10.5	10.7	10.6	10.7	11.1	11.1	7	7.1
Paid by non-employed	1.9	2.0	2.1	2.0	2.1	2.2	2.4	2.4	2.4	2.4	2.3	2.3	2.3	9	1.4
Capital	10.8	10.2	10.3	10.5	9.9	10.0	9.5	9.2	10.0	10.5	11.3	12.9	12.3	1	7.8
Income of corporations	5.3	5.3	5.6	5.8	5.0	5.1	4.8	4.3	4.4	4.5	5.1	6.3	5.9	1	3.8
Income of households	1.4	1.6	1.4	1.5	1.6	1.5	1.2	1.2	1.5	1.5	1.4	1.4	1.4	4	0.9
Income of self-employed	0.6	0.5	0.7	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8	0.8	14	0.5
Stock of capital	3.6	2.8	2.6	2.7	2.7	2.8	2.9	3.0	3.4	3.8	4.0	4.3	4.2	2	2.7

Table LU.1: Tax Revenue (continued)

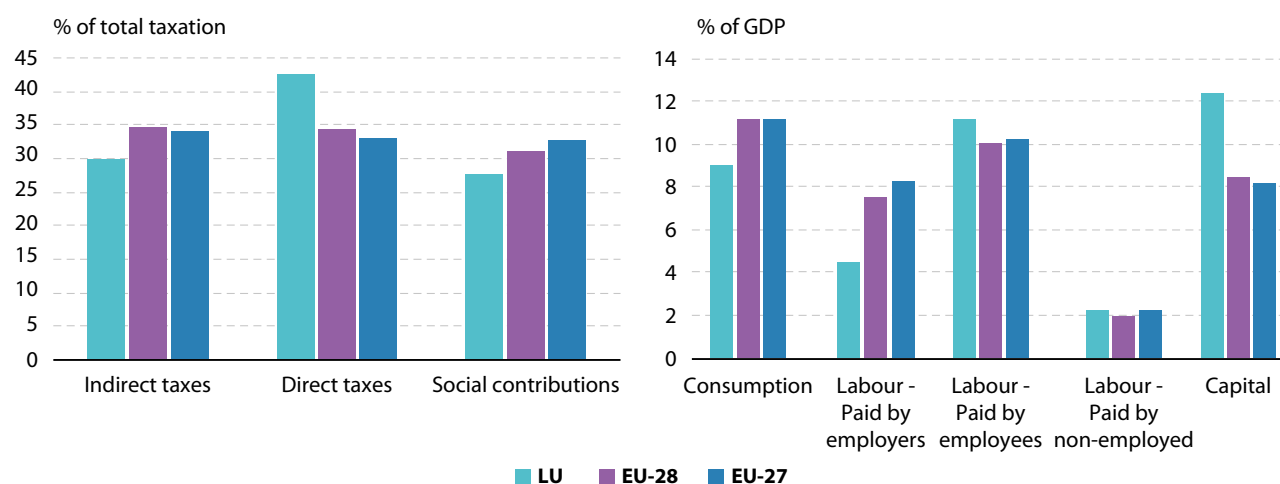
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Ranking 2019	Revenue 2019 (billion euros)
D. Environmental taxes as % of GDP															
Environmental taxes	2.6	2.6	2.5	2.4	2.4	2.4	2.2	2.0	1.8	1.7	1.7	1.7	1.7	26	1.1
Energy	2.4	2.4	2.3	2.2	2.2	2.2	2.0	1.8	1.7	1.6	1.5	1.6	1.6	21	1.0
of which transport fuel taxes	2.3	2.4	2.3	2.2	2.2	2.2	2.0	1.8	1.6	1.5	1.5	1.5	1.5	9	
Transport	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	25	0.1
Pollution and resources	0.00	0.00	0.00	0.01	0.01	0.02	0.01	0.01	0.03	0.03	0.02	0.02	0.02	21	0.0
E. Property taxes as % of GDP															
Taxes on property	1.6	1.2	1.2	1.1	1.2	1.3	1.2	1.3	1.5	2.0	2.2	2.5	2.4	6	1.5
Recurrent taxes on immovable property	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	26	0.0
Other taxes on property	1.5	1.2	1.1	1.0	1.1	1.2	1.2	1.2	1.5	2.0	2.1	2.5	2.3	1	1.5
F. Implicit tax rates %															
Consumption	23.6	23.3	23.1	23.5	23.9	24.3	24.5	25.2	20.8	21.1	21.4	21.6	21.7	5	
Labour	28.7	29.3	29.2	29.8	30.4	31.0	31.7	31.0	31.5	31.4	31.1	31.5	31.6	19	
G. Payable tax credits as % of GDP															
Total payable tax credits	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Tax expenditure component	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Transfer component	:	:	:	:	:	:	:	:	:	:	:	:	:	:	
Total tax revenue adjusted for payable tax credits	:	:	:	:	:	:	:	:	:	:	:	:	:	:	

(¹) Representing taxes assessed but unlikely to be collected.

(²) This level refers to the *Länder* in Austria and Germany, the *gewesten and gemeenschappen / régions et communautés* in Belgium, and the *comunidades autónomas* in Spain.

Source: European Commission, DG Taxation and Customs Union, based on Eurostat data

Figure LU.1: Tax revenues by main taxes, 2019
(in % of total taxation (left graph) and in % of GDP (right graph))



Source: European Commission, DG Taxation and Customs Union, based on Eurostat data

Table LU.2: Latest tax reforms

Description of measure	Change	Date
Personal income tax: Earned income		
The existing tax credit for employees, self-employed people and pensioners is slightly modified. The current limit of EUR 600 is increased to EUR 696.	Base decrease	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
The tax allowance for sustainable mobility is abolished	Base increase	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
For buildings built or acquired after the 1 January 2021, the accelerated depreciation rate applicable to rented real estate is decreased from 6% to 4%. The period from completion during which this accelerated rate of depreciation may apply is also reduced from 6 to 5 years. An additional 1% depreciation rate applies, if the total depreciable real estate asset does not exceed 1 000 000 EUR. If this amount exceeds 1 000 000 EUR, the allowance is capped at 10 000 EUR. Moreover, an accelerated depreciated rate of 6% is granted for certain sustainable energy renovation expenses of an older property, in cases where the investment costs exceed 20% of the acquisition price of the property.	Base increase	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
Social security contributions: Employer		
Low decrease of the contribution rate for the Injury insurance from 0.8% in 2018 to 0.75% in 2020. Since 2019, this rate is multiplied by a bonus/malus factor.	Rate decrease	Legislation: 17-12-2019 In force from: 01-01-2020
Taxes on payroll and workforce		
Abolition of the current stock option regime and introduction of a participation premium regime: The current tax regime of stock options, regulated through a circular, is abolished, and a new participation premium regime is introduced from 2021 onwards. This new regime allows employees to participate in their company's profits. If the conditions applicable to the regime are fulfilled, the participative premium will benefit from a 50% tax exemption at the level of the employee. At the level of the employer, this participative premium will be tax deductible as operating expenses. The amount of the premium allocated to the employees is limited to 5% of the profits of the financial year preceding the year of the allocation, and the premium may not exceed 25% of the employee's gross ordinary annual remuneration received the same year.	Base decrease	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
Other corporate taxes		
Introduction of a 20% withholding tax on income derived by certain Luxembourg investment funds from real estate located in Luxembourg: A 20% withholding tax is levied on income (rental income, capital gains) arising from real estate assets located in Luxembourg and held directly or indirectly by certain investment vehicles. The investment vehicles considered include: Undertakings for collective investments (UCIs, Law of 17 December 2010), specialized investment funds (SIFs, Law of 13 February 2007) and reserved alternative investment funds (RAIFs, Law of 23 July 2016). Tax transparent investment vehicles are excluded from the scope of the real estate.	New tax	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
Impatriates regime ("highly-skilled workers" regime): The existing impatriate regime, regulated through a circular, has been codified in the Luxembourg law and slightly amended. The new regime also foresees an impatriation premium, paid by the employer to the impatriate, to cover the differential in the cost of living. This premium is fully deductible at the level of the employer. At the level of the impatriate, this premium is 50% tax exempt and limited to 30% of the employee's annual base salary. Moreover, the new regime applies only to impatriate employees earning at least EUR 100 000 per year and it will apply for a period of up to 8 years	Base decrease	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
Other excise duties		
CO ₂ tax on energy products	New tax	Announcement: 19-12-2020 Legislation: 19-12-2020 In force from: 01-01-2021
Other taxes		
The statute of limitation period of debts, for which collection is entrusted to the tax administration and that would have expired on 31 December 2020, is extended by one year to 31 December 2021.	Neutral	Announcement: 12-05-2020 Legislation: 12-05-2020 In force from: 12-05-2020