



# Tax Deductions for Individuals and the corresponding Insurance Products



***Christophe Legrand & Steve Vanacker***

---

# *Agenda*

1. How the tax system works in Luxembourg
  2. Overview of deductible insurance products
  3. Pension products & Life insurance
  4. Taxx.lu
-

## Tax system in Luxembourg - Taxed income

Gross salary

- Social Security

Health care & contributions (3,05 %)

Pension (8,00 %)

Care insurance (1,40 %)

= Taxed income

- Tax

= Net income

## Tax system in Luxembourg - Tax class

Three tax classes have been defined:

- **Class 1** for single persons.
- **Class 2** for married persons as well as civil partners (under certain conditions).
- **Class 1a** for single persons with children as well as single taxpayers aged at least 65 on 1 January of the tax year

Pour la tranche de revenu annuel imposable	%
De 0 € à 11.265 €	0 %
De 11.265 € à 13.137 €	8 %
De 13.137 € à 15.009 €	9 %
De 15.009 € à 16.881 €	10 %
De 16.881 € à 18.753 €	11 %
De 18.753 € à 20.625 €	12 %
De 20.625 € à 22.569 €	14 %
De 22.569 € à 24.513 €	16 %
De 24.513 € à 26.457 €	18 %
De 26.457 € à 28.401 €	20 %
De 28.401 € à 30.345 €	22 %

Pour la tranche de revenu annuel imposable	%
De 30.345 € à 32.289 €	24 %
De 32.289 € à 34.233 €	26 %
De 34.233 € à 36.177 €	28 %
De 36.177 € à 38.121 €	30 %
De 38.121 € à 40.065 €	32 %
De 40.065 € à 42.009 €	34 %
De 42.009 € à 43.953 €	36 %
De 43.953 € à 45.897 €	38 %
De 45.897 € à 100.002 €	39 %
De 100.002 € à 150.000 €	40 %
De 150.000 € à 200.004 €	41 %
De 200.004 € à 9.999.999 €	42 %

## Example

- Single person (class 1)
- 25 years
- 3.200€ / year



## Tax structure

REVENU (arrondi au multiple inférieur de 50 EUR) EINKOMMEN (nach unten auf volle 50 EUR abgerundet)	Impôt annuel sur le revenu (en EUR) Jahreseinkommensteuer (in EUR)		
	Classe d'impôt / Steuerklasse		
	1	1A	2
53 450	10 452	9 744	3 845
53 500	10 471	9 764	3 855
53 550	10 491	9 783	3 865
53 600	10 510	9 803	3 875
53 650	10 530	9 822	3 885
53 700	10 549	9 842	3 895
53 750	10 569	9 861	3 905
53 800	10 588	9 881	3 915
53 850	10 608	9 900	3 925
53 900	10 627	9 920	3 935
53 950	10 647	9 939	3 945
54 000	10 666	9 959	3 955
54 050	10 686	9 978	3 965
54 100	10 705	9 998	3 975
54 150	10 725	10 017	3 985
54 200	10 744	10 037	3 995
54 250	10 764	10 056	4 005
54 300	10 783	10 076	4 015
54 350	10 803	10 095	4 025
54 400	10 822	10 115	4 035

Single person with  
54.000€ yearly income

**Tax to pay:**

→ **€ 10.666,00**



## Tax structure

REVENU (arrondi au multiple inférieur de 50 EUR) EINKOMMEN (nach unten auf volle 50 EUR abgerundet)	Impôt annuel sur le revenu (en EUR) Jahreseinkommensteuer (in EUR)		
	Classe d'impôt / Steuerklasse		
	1	1A	2
50 450	9 282	8 574	3 294
50 500	9 301	8 594	3 303
50 550	9 321	8 613	3 312
50 600	9 340	8 633	3 321
50 650	9 360	8 652	3 330
50 700	9 379	8 672	3 339
50 750	9 399	8 691	3 348
50 800	9 418	8 711	3 357
50 850	9 438	8 730	3 366
50 900	9 457	8 750	3 375
50 950	9 477	8 769	3 384
51 000	9 496	8 789	3 393
51 050	9 516	8 808	3 402
51 100	9 535	8 828	3 411
51 150	9 555	8 847	3 420
51 200	9 574	8 867	3 429
51 250	9 594	8 886	3 438
51 300	9 613	8 906	3 447
51 350	9 633	8 925	3 456
51 400	9 652	8 945	3 465

With deductible amount of 3.200€ :  
→ taxed income:  
€ 50.800

**Tax to pay:**

→ **€ 9.418,00**

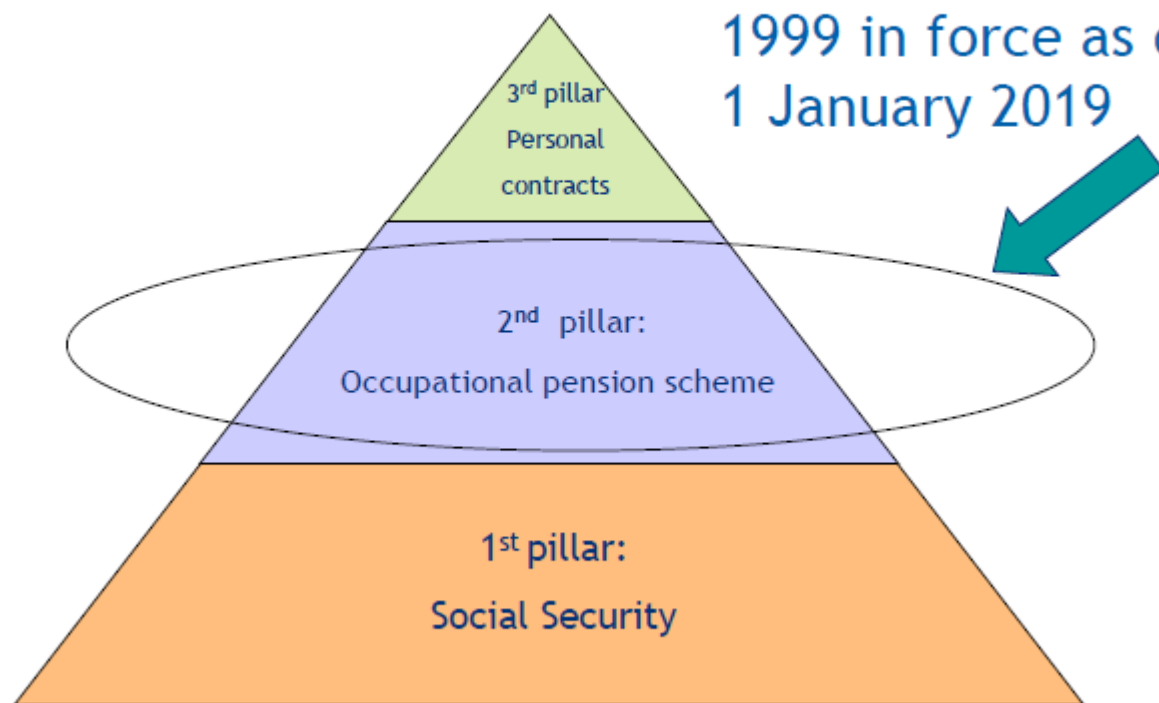
**Tax benefits of**  
**1.248 € → 39%**

# Overview of deductible insurance products

- Article 110 LIR
  - Occupational pension scheme (RCP)
  - Occupational pension scheme (RCPI)
- Article 111 LIR
  - Life & Health insurance (life, death, accident, health)
  - Liability insurance
- + Daily sickness payments for self-employed and freelance professionals (1.500€ for independants)
- Article 111bis LIR
  - Personal pension

## Pension products - RCP(I)

### Framework



Modified law of 8 June  
1999 in force as of  
1 January 2019

## Pension products (110 LIR)

### Principles:

- ❑ Opportunity to make Personal contributions through payroll
- ❑ Monthly contribution of EUR 0 / 25 / 50 / 75 or 100
- ❑ You can change the contribution once per year in January
- ❑ As of 1 January 2019, premium can be invested in funds
- ❑ Contribution are tax deductible (max.EUR 1,200/year) in addition to other insurance products (LIR 111, LIR 111bis)
- ❑ Benefits are tax free in Luxembourg
- ❑ Immediate vesting without conditions

## Pension products (110 LIR)

### Early departure

- ❑ Death and disability covers cease on last employment day
- ❑ Retirement
  - vested rights: as of 21 May 2018 a maximum of 3 years of service can be foreseen
  - amount of vested rights: the present value of the vested rights corresponds to the accrued provisions at the date of departure

## Pension products (110 LIR)

### Early departure

- ❑ Options for vested rights:
  - transfer to a new employer  
(risk of double taxation if the new employer is outside Luxembourg)
  - transfer to a duly registered scheme
  - cash-in

## Pension products (110 LIR)

### Early departure

- ❑ **New conditions to cash-in as of 1 January 2019**
  - Due to his new activity the employee is no longer affiliate to the health insurance, or
  - ~~older than 50 when you leave,~~
  - the value of the accrued savings is equal to or below the amount currently fixed by law: now 6 145,62 EUR
- ❑ Home country tax rules might apply!
- ❑ Double tax treaty between Luxembourg and the home country



## Pension products (RCPI)

### Principles:

- ❑ Opportunity to subscribe to an occupational pension scheme
- ❑ Maximum deductible premium for retirement : 20% of the net taxable income
- ❑ No limit for the risk cover premiums
- ❑ Premiums are deductible as a “dépense spéciale”
- ❑ The premium is subject to a lump sum tax of 20% + a remunerative fee of 0,90% which are not deductible

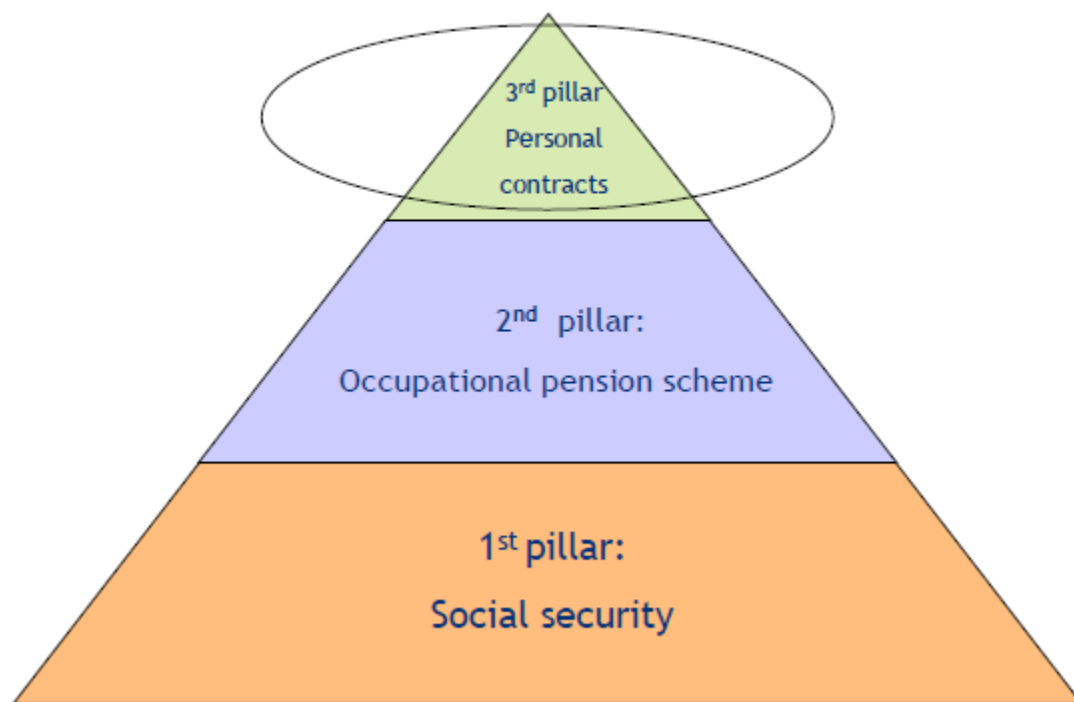
## Pension products (RCPI)

### Principles:

- ❑ Free choice of the retirement premium
- ❑ The premium can be invested in funds or in a traditional insurance product with a guaranteed interest rate plus a possible profit sharing
- ❑ Free choice of the risk covers and their levels
- ❑ Benefits are tax free in Luxembourg (1,4% dependency contribution)

# Pension products (111bis)

## Framework



## Pension products (111bis)

The essential conditions provided in Article 111bis of the LIR are:

- Maximum 3.200 EUR per year
- minimum contract term of 10 years,
- the benefits (pension and/or capital) may be paid at the earliest at the age of 60 years and the latest at the age of 75 years,
- at maturity, it is possible to obtain all or some of the accumulated savings as capital, the balance in that case being transformed into a monthly annuity,

## Pension products (111bis)

The essential conditions provided in Article 111bis of the LIR are (cont.):

- since January 2017, the deductible amount has been set at € 3,200 per annum per taxpayer for all age categories,
- when jointly taxable spouses each subscribe to an old-age pension contract, the deductible amount is calculated individually for each spouse,
- early repayment of the accumulated savings prior to the age of 60 years for reasons other than invalidity or serious illness results in a tax adjustment,

## Pension products (111bis)

The essential conditions provided in Article 111bis of the LIR are (cont.):

- classic contracts with a minimum guaranteed rate as well as unit-linked types of contract are admitted. Nevertheless, for the latter, precise rules have been provided by Grand Ducal Regulation,
- the maximum rate of shares as the underlying assets in an investment fund is limited in relation to the age of the insured,
- more advantageous taxation:
  - half of the pension is tax-free, and the other half is taxable as income,
  - the capital paid is taxed at one half of the global rate.

## Life insurance (111)

- Insurance premiums are deductible as special expenditure :

	<u>Maximum</u> deductible amounts	
	without spouse	with spouse
Taxpayer	672 €	1 344 €
Taxpayer with 1 child	1 344 €	2 016 €
Taxpayer with 2 children	2 016 €	2 688 €
Taxpayer with 3 children	2 688 €	3 360 €

- If the contract provides for a payment in the case of survival at term, the minimum subscription period must be 10 years;
- The capital paid on a life, death or accident insurance is not taxable as income.



## **Taxx.lu**

*Lalux works in close partnership with taxx.lu.*

*Taxx.lu is an Internet platform, allowing you to complete your Luxembourgish tax return online and in English.*

*Instead of completing the official 20-page-PDF, you are guided through an easy online form, automatically adapting to your individual situation.*

*In the end, you can download the official tax return filled with your data and learn on how to save tax with the different Lalux products we just presented to you. In order to offer you the best consulting possible, Lalux will dispatch your fiscal information to an Lalux professional agent.*

*We are happy to offer you your first tax return on taxx.lu.*

---

**Taxx.lu**

<https://www.youtube.com/watch?v=fEn-l4IlwEM>

Code:  
**THANKS-IBCL**

**You receive a discount of 40,00€, offered by:**



**LALUX Assurances**  
9, rue Jean Fischbach  
L-3372 Leudelange