

## CORONAVIRUS: UPDATE ON LUXEMBOURG TAX IMPLICATIONS FOR COMPANIES AND INDIVIDUALS

The Luxembourg tax authorities announced on 17 March 2020 specific tax measures responding to the Covid-19 crisis. Particular measures will apply for both legal entities (companies and self-employed individuals) and individual taxpayers. These measures have been expanded since the initial release and we are delighted to provide you with an updated overview.

### Extension of submission deadline

The deadline to file the 2019 tax returns for both legal and natural persons (resident and non-residents) has been extended to 30 June 2020.

The extension also applies to taxpayers wishing to amend the selection made to their individual tax scheme.

### Direct Tax Measures

Luxembourg companies and self-employed individuals realizing income from either commercial, agricultural, forestry of a liberal profession and experiencing liquidity issues due the Covid-19 pandemic, can apply for:

- A waiver of the quarterly tax advances of corporate income tax (*impôt sur le revenu des collectivités*) and municipal business tax (*impôt commercial communal*). Taxpayers should file a dedicated form which is available online (*annulation avances*) .

- A 4-month deferral for the payment of corporate income tax (*impôt commercial communal*), municipal business tax (*impôt commercial communal*) and net worth tax (*impôt sur la fortune*) due after 29 February 2020, without interest or penalties for late payment. Taxpayers should file a dedicated form which is available online (*délai de paiement*) .

All eligible waiver and deferral requests will automatically be accepted upon receipt by the tax authorities for all eligible taxpayers that have advances to pay, respectively where advances are due to be paid.

### Indirect Tax Measures

The Luxembourg VAT authorities (*Administration de l'Enregistrement, des Domaines et de la TVA*) initially extend the deadline for submission of VAT returns and grant payment extensions. In view of the gradual deconfinement of the national economy, the administrative tolerance for VAT declaration and *Taxe d'Abonnement* has been revoked on 12 May 2020. Returns that have not been submitted due to the health crisis are to be submitted promptly. However, forced collection of tax debts remains disabled for the time being.

### Key issues

- Extended deadline for VAT submissions and *Taxe d'Abonnement* revoked
- Agreement reached for German cross border workers

*This briefing speaks as of 15 May 2020.*

Furthermore, VAT credits below EUR 10,000 shall be reimbursed as from 16 March 2020. This measure aims at supporting the liquidity needs of around 20,000 companies based in the Grand Duchy.

Luxembourg VAT authorities also asked companies to communicate with them electronically, in so far as possible.

### Cross-border workers

On 16 March 2020, exceptional measures have been agreed between the Luxembourg, French and Belgian governments concerning teleworking and cross-border workers. On 31 March 2020 the Finance Ministry of the Saarland/Germany in cooperation with the German Ministry of Finance announced that comparable measures have been agreed upon. On 3 April 2020 the competent authorities of Luxembourg and Germany have signed an amicable agreement in this regards.

The agreements state that working days during which Belgian/French and German residents work remotely from their main place of residence as a result of the measures to combat the pandemic, should be considered working days in the country in which the work would normally have been carried out (i.e. Luxembourg).

Consequently, such working days spent outside of Luxembourg, will not be considered for the calculation of the threshold that is normally foreseen in the double tax treaties.

Normally, the double tax treaties of France and Belgium provide for a tolerance rule allowing French/Belgian cross-border workers to exercise their activity no more than 29 (France)/ 24 (Belgium)/ 19 (Germany) days outside of Luxembourg while remaining tax resident in Luxembourg. Applying the temporary measures, this cap is lifted until further notice. The government remains in discussions with Germany to reach a similar agreement.

These timely limited measure introduced to mitigating the impact of the Covid-19 pandemic, apply as of 11 March 2020 for German residents and as of 14 March 2020 for Belgian and French residents until further notice. Details concerning the actual application of the measure will be communicated at a later point in time

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