

TAX MEASURES FOR CROSS-BORDER WORKERS IN TIMES OF CORONAVIRUS

To minimize the impacts of the Coronavirus pandemic and reacting to the changing work environment, the Luxembourg government has taken essential tax measures to support cross-border workers.

On 16 March 2020, the Luxembourg government has agreed upon specific tax measures concerning cross-border workers with the governments of Belgium and France. 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 and Germany will enter into respective consultation agreement to lay down the legal basis for these measures. On 2 April 2020 the Luxembourg Ministry of Finance confirmed a respective agreement.

Suspension of threshold

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.

Recap of the legal provisions

Luxembourg's treaties with Belgium, France and Germany have special provisions whereby the fully employment income is taxed in Luxembourg only if the number of days worked outside of Luxembourg doesn't exceed a certain limit.

For Belgium such threshold is set at 24 days per year; for France at 29 days per year and for Germany at 19 days per year.

Key issues

- Suspension of thresholds under the double tax treaties concluded by Luxembourg with Belgium, France and Germany
- Limitation of tax impact

Where the number of working days outside of Luxembourg exceeds this limit, only the employment income related to the working days passed in Luxembourg may be taxed in Luxembourg.

Any day spent working from home (outside of Luxembourg) or on a business trip outside of Luxembourg will normally fall under this cap.

Timeline of the suspension

These timely limited measures 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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