

PINBOARD

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1 2023: FORTHCOMING INDEX BRACKETS AND INCREASE IN THE MINIMUM SOCIAL WAGE (MSW)

New decisions were adopted in favour of households in the Tripartite Agreement of 28 September 2022 between the Government, the UEL (Union des Entreprises luxembourgeoises) [Union of Luxembourgish Enterprises] and the trade unions (OGBL, LCGB and CGFP), in particular with regard to the MSW and wage indexation

It was decided to **restore the automatic operation of the sliding wage scale** for future indexations planned by STATEC. In other words, any future index bracket will be applied.

By way of reminder, the bracket triggered in July 2022 has been postponed to 1 April 2023 and compensated by the implementation of the Energy Tax Credit (ETC).

Consequently, two indexations are to be expected in 2023:

- ▶ one in January or February 2023 according to STATEC forecasts ;
- ▶ and the one in July 2022, postponed to April 2023.

In addition, if a third indexation is triggered in 2023, the Government is already committed, under the Tripartite Agreement to provide full compensation for the impact on the wages of companies during the rest of the year.

It was for that matter also decided in the tripartite agreement to adapt the **minimum social wage** to the average wage trends. The minimum wage will be **increased by 3.3% on 1 January 2023** in order to help households.

It should nonetheless be noted that the increase in the MSC does not entail an obligation to raise the entire wage scale in companies.

2 ABOLITION OF ADVANCE PAYMENTS OF SOCIAL SECURITY CONTRIBUTIONS

*It was decided in the Tripartite Agreement to **abolish the advance payment of social security contributions** for employers, farmers and self-employed persons as of 1 January 2023 so as to achieve a more balanced distribution of the burden of social security contributions payable during the different months of the year.*

This measure will provide relief in social security contributions to the tune of one month and the corresponding amount will be available to help finance the two index brackets currently provided by STATEC in 2023.

3. TELEWORKING BY FRENCH BORDER RESIDENTS: INCREASE IN THE TAX TOLERANCE THRESHOLD TO 34 DAYS AND FORTHCOMING TAX SIMPLIFICATION FOR THE EMPLOYER

The 6th Franco-Luxembourg intergovernmental commission meeting was held in Luxembourg on 19 October last year (2021), where the common desire to increase the tax tolerance threshold to 34 days was expressed. This is almost a done deal! In addition, the French Finance Bill (known by the French initials "PLF") for 2023 proposes to abolish the monthly reporting requirements of foreign employers as of 1 January 2023.

The Finance Ministers of both countries met again in Paris on 30 September of this year. The meeting concluded with a joint agreement to **increase the tax tolerance threshold from 29 to 34 days as of 1 January 2023**. The rider to the tax treaty by and between the two countries laying down this increase in the threshold will be signed presently so that it can be applied as of next year, as announced.

Teleworking days can then be taken into account, but the days spent outside Luxembourg for whatever reason: teleworking, training, meeting clients must also be taken account in this quota...

Furthermore, up to now, as soon as a French border resident exceeded the tax tolerance threshold (currently 29 days), the Luxembourgish employer has been required to **deduct at source the income tax due by this French resident employee for the days worked in France**. This specific French requirement therefore entails an administrative complexity and an additional cost for the employer who has to call on a payroll provider in France to calculate, declare and pay monthly the French tax on the income relating to telework.

However, the French Finance Bill 2023, which was adopted at first reading by the National Assembly on 12th of October 2022, proposes to **abolish the monthly reporting requirements of foreign employers as of 1 January 2023**. In concrete terms, Luxembourgish employers would no longer have to register with the French tax authorities and pay for the services of a French payroll provider. This would considerably simplify the procedures for the payment of income tax and the related administrative formalities. In practice, the French tax authorities would deduct the tax directly from the taxpayer's bank account.

Nevertheless, Luxembourgish employers would still be required to report each year to the French tax administration the amount of taxable remuneration determined according to the French taxation rules.

4. PARTIAL UNEMPLOYMENT AND THE ENERGY CRISIS

*In order to maintain employment and avoid redundancies during the energy crisis, the Economic Committee approved the use of partial unemployment **for industrial companies that would be required to reduce or even stop their production following a government decision imposing a reduction in gas consumption or even a load shedding.***

In addition, industrial companies that have problems maintaining production due to problems upstream or downstream of their production may resort to short-time working.

Furthermore, as is already the case, all industrial enterprises wishing to resort to partial unemployment must, on pain of foreclosure, submit their application for partial unemployment before the 12th day of the month preceding the recourse to partial unemployment, albeit for preventive purposes only.

5 AID TO COMPANIES PARTICULARLY HARD HIT BY THE RISING ENERGY PRICES

The Act of 15 July 2022 intended to set up an aid scheme for companies particularly hard hit by the rising energy prices caused by Russia's aggression against Ukraine has entered into force.

It ushers in 2 types of aid to cover:

- > **1. the additional costs of natural gas and electricity for energy-intensive companies**, i.e. those whose energy costs account for 3% of their turnover; **and**
- > **2. the additional diesel costs** of companies in the **road freight transport, construction and food industry sectors** that are **particularly dependent on fuel** for their journeys and deliveries and that have suffered an operating loss (EBITDA) in the month for which the application is filed.

Aid of both types may be **combined** for the same month in compliance with the limits set.

The aid application must be **filed for each eligible month by 9 December 2022** at the latest for the months of July to December 2022.

The aid application wizard is available on MyGuichet.lu and a FAQ list has also been set up.

6 BILL: INTRODUCTION OF TWO NEW EXTRAORDINARY LEAVES

A bill was introduced in the Chamber of Deputies in June to implement European Directive 2019/1158 on work-life balance. Two new extraordinary leaves are to appear in the national legislation: the caretaker's leave and the leave owing to force majeure relating to urgent and unforeseen family reasons.

First of all, one **day's** leave will be granted within a 12-month period of employment for **force majeure for reasons to do with illness or accident of a family member or a person living in the same household as the employee** that make the immediate presence of the employee indispensable, **subject to a medical certificate**.

For its part, the second extraordinary leave will consist of **five days** over a 12-month period of employment to **provide personal care or assistance to a family member or a person living in the same household as the employee** who requires considerable care or assistance **for serious medical reasons duly certified by a doctor**.

Family members are defined here according to the bill as: daughter, son, father, mother, spouse and Civil Solidarity Pact partner.

Luxembourg should moreover go further than the European Directive by providing that these two new extraordinary leaves are **reimbursed by the State up to 50% of the total cost**. This reimbursement will be valid only for the year 2023 for the time being, whereupon an assessment will be made to decide whether to renew this reimbursement measure to the employer.

LE PAYROLL GIVING : PENSEZ-Y !

Employers and employees can together support humanitarian projects that are important to them through Payroll Giving, a monetary contribution of pennies from their net salary.

Payroll Giving was implemented by the **PADEM Association in 2015**. Accredited by the Luxembourgish Ministry of Foreign and European Affairs, this humanitarian association, which is geared primarily to helping underprivileged children, operates in 10 countries around the world.

To that end, the association works on different fronts:

- > **Infrastructure:** access to drinking water, electricity, construction of dwellings and latrines;
- > **Education:** re-schooling, the fight against child labour, building, renovating and equipping schools;
- > **Health:** prevention and public health campaigns, building and equipping of health clinics;
- > **Economic development:** vocational training, micro-finance.

PADEM has created an innovative system in Luxembourg to finance its actions: **Payroll Giving**. Recently, 5 other NGOs have also started Payroll Giving: Fondation Follereau, Frères des Hommes, Unity Foundation, Iles de Paix and Aide à l'Enfance de l'Inde et du Népal.

The principle is as follows: the employees of a company voluntarily donate pennies from their net salary to a humanitarian project.

Example: The employee should receive a net salary of €2,526.55. By subscribing to Payroll Giving, he will receive €2,526 and the 55 euro cents will be deducted from his pay and automatically donated to PADEM.

Advantages:

- > **Accessible:** employees can donate the euro cents from their net salary but they can also decide to donate a larger amount.
- > **Simple:** everything is automatic, via the payroll software, so there is no loss of time.
- > **Beneficial:** tax deductibility, a tax receipt will be issued at the end of the year with the annual total of donations
 - ▶ For Luxembourgish tax residents, the tax legislation requires that, to be tax deductible, the annual total of donations be greater than or equal to €120.
 - ▶ Donations are deductible for border residents under European law. The employee will receive a tax receipt that is recognized by all European tax authorities.
- > **Full freedom:** employees can choose the amount they wish to donate, change it, and stop whenever they want.

Securex is a partner of PADEM for the implementation of Payroll Giving. As such, Securex employees choose a humanitarian project at the beginning of each year to which the funds deducted from their salaries will be donated.

For more information on Payroll Giving, please contact us or visit the dedicated website:

<https://padem.org/sengager/payroll-giving/>



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