

PINBOARD

OCTOBER 2023

TABLE OF CONTENTS

1| SALARY INDEXATION AS AT 1 SEPTEMBER 2023 | [PAGE 2](#)

2| ANTICIPATED REDUCTION IN EMPLOYERS' MUTUAL INSURANCE SCHEME CONTRIBUTION RATES | [PAGE 4](#)

3| HIRING OF THIRD COUNTRY NATIONALS MADE EASIER! | [PAGE 5](#)

4| WORK - LIFE BALANCE: NEW "FLEXIBLE WORKING ARRANGEMENTS" | [PAGE 6](#)

5| 2024: NEW PARAMETERS FOR WITHHOLDING TAX AT SOURCE | [PAGE 6](#)

6| GET YOUR LEAVE COUNTERS READY! | [PAGE 9](#)

7| MEAL VOUCHERS: POSSIBLE INCREASE IN FACE VALUE OF UP TO €15 | [PAGE 10](#)

8| SOCIAL ELECTIONS 2024 | [PAGE 11](#)

OCTOBER 2023

1 SALARY INDEXATION AS AT 1 SEPTEMBER 2023

Indexation has been triggered for the 3rd time this year! The new index used in the sliding wage scale has been raised from 921.40 to **944.43 points, resulting in a mandatory 2.5% increase in salaries, wages and pensions** as of 1 September 2023.

The automatic adjustment of salaries to this scale is provided for in Article L.223-1 of the Labour Code. This **provision is a matter of public policy**. It must be **complied with by the employer** and cannot be waived by the employee. Any prior waiver of the application of index variations is not enforceable.

The amounts to be taken into consideration for **minimum social wages** are now as follows:

Index 944,43		Monthly rate	Hourly rate
18 years of age	Unskilled	€2,570.93	€14.8609
	Skilled	€3,085.11	€17.8330
17 years of age		€2,056.74	€11.8887
15 et 16 years of age		€1,928.20	€11.1456

The remuneration of pupils or students may not be less than 80% of the minimum social wage.

At index 944.43 a pupil or student is entitled to the minimum amounts shown in the table below, graduated according to age:

	Salary of pupils and students (Index 944.43)	
	Monthly rate	Hourly rate
18 years of age	€2,056.74	€11.8887
17 years of age	€1,645.39	€9.5109
15 and 16 years of age	€1,542.56	€8.9165

OCTOBER 2023

Finally, the increase in the social minimum wage has an impact also on the remuneration to be taken into account for **trainees**. So, here are the new minimum allowances to be taken into account if you have trainees in your workforce or for any new trainee contract:

Trainee compensation (Index 944.43)		
	Monthly rate	Hourly rate
30 % of the minimum social wage for unskilled employees of compulsory training of ≥ 4 weeks	€771.28	€4.4583
40 % of the minimum social wage for unskilled employees in practical training of 4-12 weeks	€1,028.37	€5.9443
40 % of the minimum social wage for skilled employees * if practical training of 4-12 weeks	€1,234.05	€7.1332
75 % of the minimum social wage for unskilled employees in practical training of ≥ 12 -26 weeks	€1,928.20	€11.1456
75 % of the minimum social wage for skilled employees * if practical training of ≥ 12 -26 weeks	€2,313.83	€13.3748

*For trainees who have successfully completed a first cycle of higher or university education (BTS [advanced technician's certificate or Bachelor's Degree), the reference salary is the minimum social salary for skilled employees as provided for under Article L. 152-8. of the Labour Code.

[contents](#)

OCTOBER 2023

Indexation has other consequences:

- The minimum wage above which a trial period may exceed 6 months is €536 at index 100, i.e. €5,062.14 at the new index.
- The gross annual salary required at the end of the contract to apply a non-competition clause after the end of the employment contract is now €64,382.46.

On the other hand, the tax exemption for a settlement or voluntary severance pay in the event of resignation or termination by mutual consent remains fixed throughout 2023 at €28,648.80.

2 ANTICIPATED REDUCTION IN EMPLOYERS' MUTUAL INSURANCE SCHEME CONTRIBUTION RATES

Pursuant to the Tripartite Agreement of 7 March last, the salary indexation as at 1 September 2023 will be offset by the reduction in the Employers' Mutual Insurance Scheme contribution rates **as of 1^{er} January 2024**.

The Government, the Luxembourg Employers' Association (UEL) and the trade unions had in fact decided through the Tripartite Agreement that the State would compensate, for this year and until January 2024, the third index tranche due to take place in 2023. In practice, this will entail **reducing the contribution rates for the 4 classes of Employers' Mutual Insurance Scheme as of 1 January 2024**, thereby freeing up cash to offset the cost of salary indexation.

The contribution rates to the Employers' Mutual Insurance Scheme are expected to be as follows in the coming years:

Mutual Insurance Class	2023	2024	2025	2026
Class 1	0.72%	0.01%	0.04%	0.35%
Class 2	1.22%	0.01%	1.10%	1.22%
Class 3	1.76%	0.42%	1.76%	1.76%
Class 4	2.84%	1.36%	2.84%	2.84%

These rates are **not yet fixed** and may be subject to future legal amendment. The **final** calculation of contribution rates for financial year 2024 will be made **at the end of 2023**.

[contents](#)

OCTOBER 2023

3 HIRING OF THIRD COUNTRY NATIONALS MADE EASIER!

The Act of 7 August 2023, which entered into force on 1 September 2023, which aims to address the labour shortage and to support employers seeking skilled labour introduces major changes to **simplify the hiring of third-country nationals**.

The first of these changes concerns **family members of third-country nationals** holding a Luxembourg residence permit issued on the basis of family reunification. They are now **authorised to work directly** as employees or self-employed individuals, **without having to first obtain a work permit**. This applies equally to permits marked “family member” issued before 1 September 2023 and those issued after that date. This measure therefore applies to third-country nationals already present in Luxembourg as well as those arriving in the near future.

Another new development concerns **asylum seekers who have been in the process for 6 months and beneficiaries of a deferral or suspension of expulsion** applying for a temporary work permit. For them, the ADEM labour market test has been abolished.

In addition, the period of validity of **residence permits issued for job seeking or business creation purposes** has been increased from 9 to **12 months**.

Finally, third-country nationals who **are not yet present in Luxembourg and whose occupation is on list of occupations in serious shortage published by the ADEM are exempt from the labour market test**. Once they have declared a vacancy, employers are issued a certificate within 5 business days confirming their “right to recruit the person of their choice”.

For **occupations not on this list**, the market test continues to be carried out, but the time taken to issue the certificate has been shortened. The ADEM will check within 7 business days whether local jobseekers with the profile required for the declared position are available. If no candidate can be proposed, the certificate will be issued within 5 business days following the first 7 days.

[contents](#)

OCTOBER 2023

4 WORK – LIFE BALANCE: NEW “FLEXIBLE WORK ARRANGEMENTS”

To make it easier for parents and carers to balance their family and working lives, legislation now requires that employees be able to **adapt their working hours** to the personal needs and preferences of such employees.

Consequently, employees with **at least 6 months’ seniority** who are the **parents of a child under 9 years old** can now request **flexible working arrangements for a maximum period of one year** to adjust their work schedules, in particular through teleworking and flexible or reduced working hours.

An employee who provides **personal care or assistance to a family member or a person living in the same household who requires considerable care or assistance for serious medical reasons that prevent them from being independent** may also submit a request to his or her employer.

The employer must review the request **within one month**, and if he wishes to refuse or postpone it, he must reply by registered letter with acknowledgement of receipt, stating the reasons.

If the request is accepted, the employer must maintain the employee’s job during the period of flexible working arrangements, or at the very least provide a similar job.

5 2004: NEW PARAMETERS FOR WITHHOLDING TAX AT SOURCE

In 2024, the calculation of withholding tax at source will be affected by the following factors: a **new tax scale**, the end of the Crédit d’Impôt Conjoncture (CIC) [economic tax credit], the introduction of the **new CI-CO2 tax credit** and a reduction of the employee tax credit. These various measures come from the Tripartite Agreement of 3 March 2023.

[contents](#)

- **New tax scale**

The new tax scale corresponds to a linear adjustment of two index-linked brackets for inflation (i.e. 6.376%), in other words a multiplication of the brackets by a factor of 1.0638 in principle.

- 0% for the income bracket lower than €11,982
- 8% for the income bracket between €11,982 and €13,971
- 9% for the income bracket between €13,971 and €15,960
- 10% for the income bracket between €15,960 and €17,949
- 11% for the income bracket between €17,949 and €19,938
- 12% for income bracket between €19,938 and €21,927
- 14% for income bracket between €21,927 and €23,997
- 16% for income bracket between €23,997 and €26,067
- 18% for income bracket between €26,067 and €28,137
- 20% for income bracket between €28,137 and €30,207
- 22% for income bracket between €30,207 and €32,277
- 24% for income bracket between €32,277 and €34,347
- 26% for income bracket between €34,347 and €36,417
- 28% for income bracket between €36,417 and €38,487
- 30% for income bracket between €38,487 and €40,557
- 32% for income bracket between €40,557 and €42,627
- 34% for income bracket between €42,627 and €44,697
- 36% for income bracket between €44,697 and €46,767
- 38% for income bracket between €46,767 and €48,837
- 39% for income bracket between €48,837 and €106,383
- 40% for income bracket between €106,383 and €159,564
- 41% for income bracket between €159,564 and €212,745
- 42% for income bracket over €212,745

- **End of the Crédit d'impôt Conjoncture (CIC) [economic tax credit]**

The economic tax credit was introduced in 2023 and applies only to tax year 2023. It will therefore no longer be granted in January 2024.

OCTOBER 2023

- **New income tax credit CI-Co2**

A new supplementary tax credit has been introduced to offset the cost of the Co2 tax for the lowest salaries.

This new credit is calculated as follows:

Income	Amount of CI-Co2
Annual income between €936 and €40,000	144€ per year
Annual income between €40.001 and €79.999	From €144 to €0 per year [144 – (gross salary – 40,000) x 0,0036] euros per year

- **Reduction of the Crédit d'Impôt pour Salariés (CIS) [employee tax credit]**

Whereas since January 2021 the employee tax credit has been capped at €696, as of 2024 the maximum amount of the employee tax credit will be €600.

The new calculation formulas are provided below:

Income	Amount of CIS
Annual income between €936 and €11,265	From €0 to €300 per year [300 + (gross salary - 936) x 0.029]
Annual income between €11,266 € and €40,000	€600 per year
Annual income between €40,001 and €79,999	From €600 to €0 per year [600 - (gross salary – 40,000) x 0.015]

[contents](#)

OCTOBER 2023

6 GET YOUR LEAVE COUNTERS READY!

As the end of the year approaches, it's time to take stock of your employees' leave entitlement. Some of them may still have a significant amount of leave to take **before 31 December**. Entitlement to 2023 leave can be carried forward only in certain cases and under certain conditions.

Also, as a particular feature of 2024, **two public holidays fall on 9 May**: Europe Day and Ascension. You can rest assured that neither of these days will be lost, as a bill has been prepared to guarantee every employee a compensatory day off.

With December fast approaching, it's worth to bear in mind the rules governing the carry-over of annual leave. While paid annual leave must, in principle, be granted in full and taken during the current year, there are certain exceptions where it can be carried forward beyond 31 December.

By way of exception, leave **may be carried forward beyond 31 December of the current year** in the following 4 cases:

- Leave corresponding to the first year of service with an employer may be **carried forward to 31 December of the following year**. The employee must request this from his employer, who may not refuse the deferral. (Article L 233-9 (2) of the Labour Code)
- Leave not taken at the end of the year due to the needs of the service or the justified wishes of other employees may be carried over **until 31 March of the following year** (Article L 233-10 of the Labour Code).
- Annual leave not yet taken by a pregnant woman at the start of her maternity leave may be carried over to the following year, in principle **until 31 March of the following year** (Art. L332-3 of the Labour Code). The same applies to fostering leave and parental leave.
- Following a ruling by the Court of Justice of the European Union (ECJ; "Schultz-Hoff"; 20 January 2009), employees who suffer a long period of illness should no longer lose their right to annual leave. Thus, employees who are unable to take their leave in the year in which it is due because of incapacity for work are entitled to carry the leave over to the following year.

[contents](#)

OCTOBER 2023

The employer is however still entitled to implement a more flexible system for carrying over leave (e.g. unlimited carry-over of leave days from one year to the next, setting up a time savings account, etc.).

It is important to note that when the employer indicates the carry-over of untaken leave from one year to the next on salary slips, the carry-over is presumed to be unlimited. Leave not taken can then be used up to 31 December.

Conversely, the fact that the employer has once agreed to carry over leave days to 31 March of the following year should not be construed as a company practice of systematically carrying over untaken leave days to the following year.

7 MEAL VOUCHERS: POSSIBLE INCREASE IN FACE VALUE OF UP TO €15

The reform of meal vouchers was passed at the end of September. It is now official therefore: meal vouchers will be **digital and even more tax-efficient** as of 1 January 2024.

Here are the main changes implemented by the Grand-Ducal regulations of 25 September 2023.

First of all, the reform increases the maximum exemption value of meal vouchers from €8 to €12.20. The employee's contribution of €2.80 remains unchanged, so the maximum value of a meal voucher that employers will be able to offer will reach **€15**. It should be noted that the employer remains free to adjust the value of the meal voucher at his discretion.

Secondly, the new scheme sets the **maximum number of meal vouchers that can be used per day** at 5, bringing the maximum use to **€75 per day**.

Finally, meal vouchers are now **digitalised**. Employees will be issued a card that can be used in the same way as a bank card. This digitisation of the meal voucher scheme means a significant reduction in administrative costs for employers, as vouchers no longer have to be distributed manually. It also simplifies day-to-day management for restaurants and retailers, by speeding up cash collection in particular.

[contents](#)

OCTOBER 2023

8 SOCIAL ELECTIONS 2024

Whereas the legislative elections took place on 8 October in the Grand Duchy, the social elections will be held in March 2024.

These elections are held every 5 years. On this occasion, employees elect:

- members of the staff delegation in their company;
- and the members of the Chamber of Employees at national level.

All companies established in Luxembourg with **at least 15 employees in the 12 months prior to March 2024** will be required to set up or renew their staff delegation.

[contents](#)

The sole purpose of the Pinboard of Securex Luxembourg is to keep our customers informed about legal administrative changes and new developments that fall under the purview of Securex Luxembourg SA. It is not intended as legal advice and does not dispense consulting a qualified legal expert before any specific action. Securex Luxembourg SA may under no circumstances be held liable for the consequences of the use made by third parties of the information it contains.