



# Budget 2021 – what to remember?

---

Jan Neugebauer  
Partner, Tax Law

Elise Nakach  
Senior Associate, Tax Law

## The speakers



Jan Neugebauer  
Partner, Tax Law



Elise Nakach  
Senior Associate, Tax Law

# Main tax measures

## Attracting and retaining talent

- New **participating bonus** regime
- Abolition of the **stock option** regime
- Improved **impatriation** regime

## Real estate

- Introduction of a **20% real estate levy** on Luxembourg real estate income derived by certain Luxembourg investment funds
- **SPF** no longer able to hold real estate through tax-transparent entities.
- Increase of the **real estate transfer tax** (1,1% to 3,4%) upon contribution of Luxembourg real estate to a company
- Reduction of the **accelerated depreciation rate** (6% to 4%)
- Introduction of **6% depreciation rate** for capital expenditure (sustainable)
- Introduction of a **tax deduction for landlords** who have reduced companies' rents during COVID 19 period

## Sustainability

- Reduced **subscription tax** for sustainable investment funds
- Introduction of a CO2 tax

## Miscellaneous

- Modification of the **tax consolidation regime** following ECJ case 749/18
- Implementation of a secure IT platform to access employees' tax withholding cards
- Increase of VAT exemption threshold for small businesses (EUR 30,000 to EUR 35,000)
- Repeal of the tax regime for venture capital investment certificates.
- Improvement of access rights of heirs on movable assets forming part of an estate

# Attracting and retaining talents

## *New « participating bonus » regime*

### Description

- Participating bonus available to employees (discretionary)
- Annually
- **50% tax exemption**
- Maximum amount: 25% of the employee's ordinary annual compensation, without taking into account any bonuses and other advantages

### Conditions

#### **Employee:**

Employee affiliated to a Luxembourg or equivalent foreign social security system

#### **Employer:**

- Realise (positive) commercial income, agricultural & forestry income, income from independent activities
- Maintain regular bookkeeping
- Bonus should **not exceed 5% of the employer's profit** for the operating year immediately preceding that for which the bonuses are granted
- List of beneficiaries to be provided to the tax authorities

- Applicable as from 1 January 2021
- Replaces the “stock option” regime, which has been abolished with effect from 1 January 2021

# Attracting and retaining talents

## *Improved impatriation regime*

### Attractive regime for highly skilled and qualified workers

➤ **Up to 50% tax exemption of impatriation bonus**

Amount not exceeding 30% of the annual remuneration of the impatriate

➤ **Cost of moving to Luxembourg** borne by the employer, as well as repetitive charges (housing, tuition, etc.)

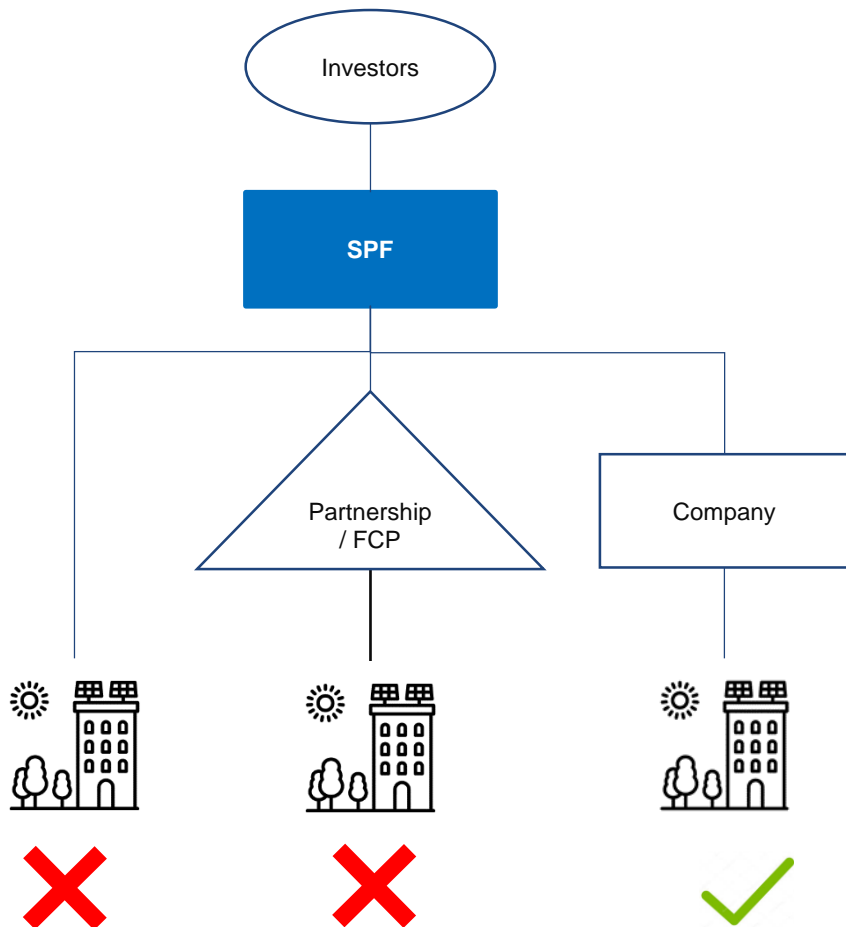
- Tax exemption up to a limit of EUR 50,000 (EUR 80,000 for a couple)
- For up to 8 years

### Conditions

- Employee resident in Luxembourg
- Never been resident in Luxembourg, never lived at a distance less than 150 km from the border, never been subject to personal income taxes on professional income in Luxembourg during the 5 preceding years
- Gross fixed annual remuneration of at least 100,000 euros
- Etc.

- Applicable as from 1 January 2021

# Real estate SPF



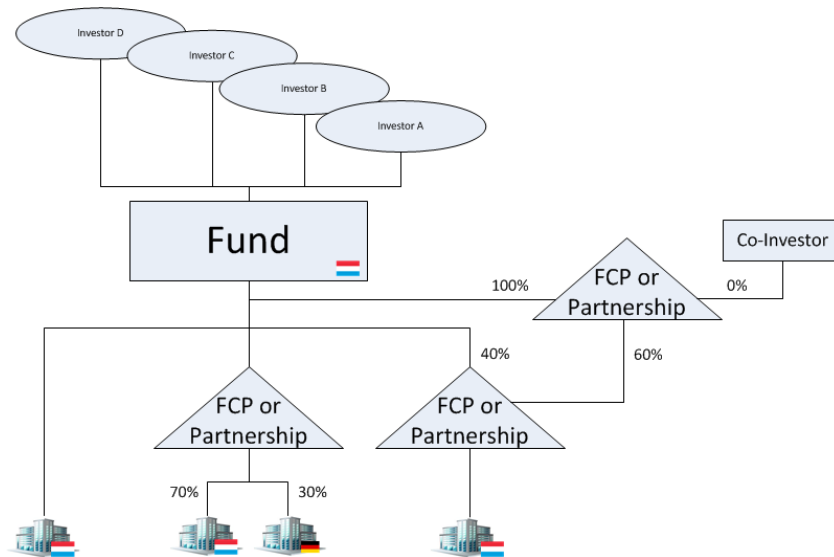
Family asset management companies ("SPF") no longer able to hold real estate through partnerships or other tax-transparent entities



Applicable as from 1 July 2021

# Luxembourg real estate

## 20% Real estate levy - Overview



### Scope:

- Income from real estate assets (gross rental income and capital gains) located in **Luxembourg**
- Realised directly or via a tax transparent entity by Specialised Investment Funds (SIF), reserved alternative investment funds (RAIF) and other UCIs (covered by the law of 17 December 2010) ("**Fund**")

### Timing:

- Applicable as of 1 January 2021

### Exemptions:

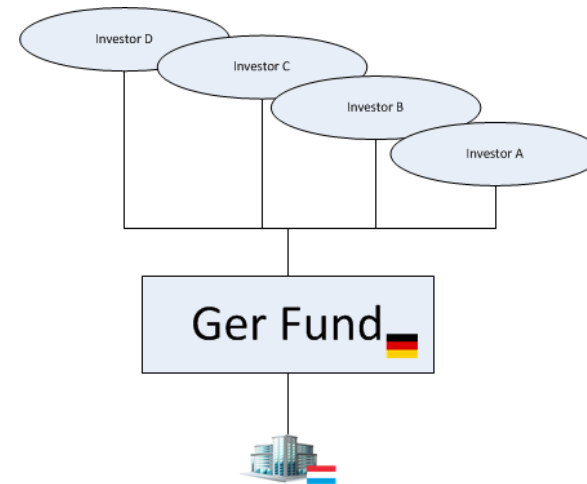
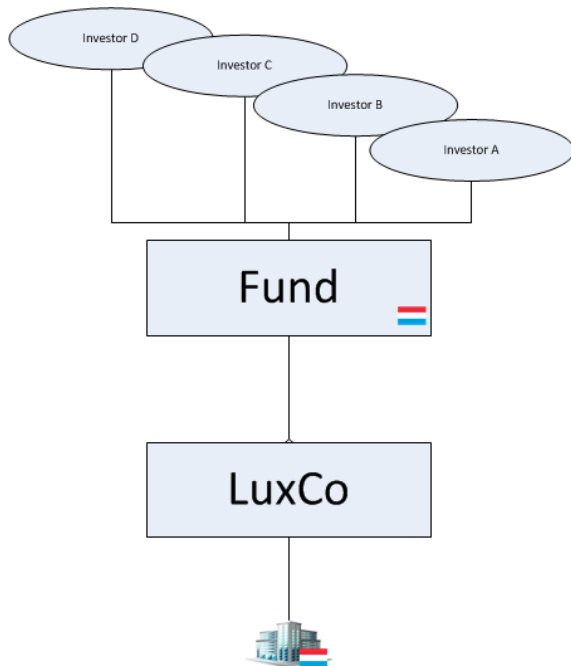
- Funds which do not have a distinct legal personality from their partners: FCP & SLP (SCSp)
- CLP (SCS)



Funds which do not invest in Luxembourg-based real estate will not be affected by this change

# Luxembourg real estate

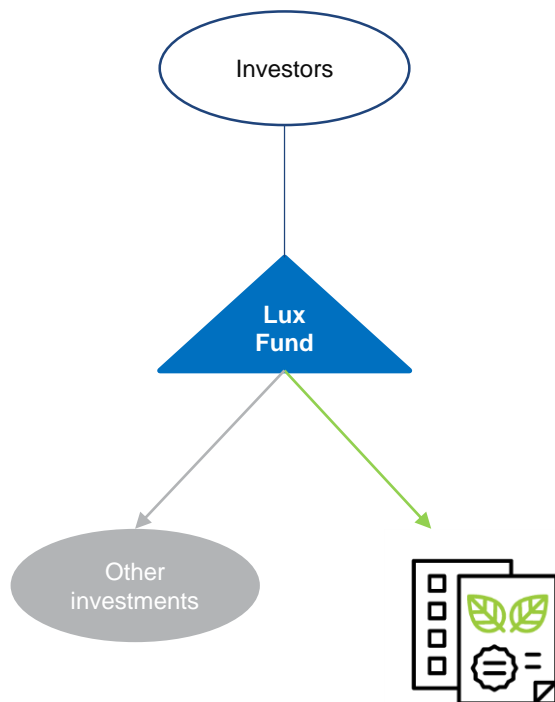
## 20% Real estate levy – Examples



Real estate levy not applicable



# Sustainability



## Reduced subscription tax for sustainable investment funds

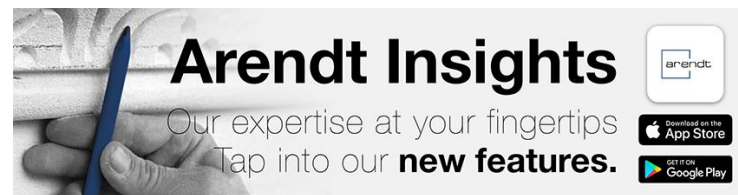
Sustainable net assets	Subscription tax rate (applying on net sustainable assets)
Less than 5%	0,05%
<b>At least 5%</b>	<b>0,04%</b>
<b>At least 20%</b>	<b>0,03%</b>
<b>At least 35%</b>	<b>0,02%</b>
<b>At least 50%</b>	<b>0,01%</b>



Applicable as from 1 January 2021

# Questions / Answers

Listen to **Arendt Podcasts** and install the **Arendt Insights App** to never miss a beat with the latest legal, tax and business developments in Luxembourg.



**Important Notice and Disclaimer:** Whilst a best efforts approach has been taken to ensure the accuracy of the information provided in this presentation, as at the date thereof, this information is only designed to provide with summarised, and therefore non complete, information regarding the topics covered. As such, this presentation does not constitute legal advice, it does not substitute for the consultation with legal counsel required prior to any undertakings and it should not be understood as investment guidelines. If you would like to receive a legal advice on any of the issues raised in this presentation, please contact us.



## Contact us



**Jan Neugebauer**

Partner, Tax Law  
jan.neugebauer@arendt.com  
+352 40 78 78 377



**Elise Nakach**

Senior Associate, Tax Law  
elise.nakach@arendt.com  
+352 40 78 78 654