



It is well known that employees considered tax residents in one of Luxembourg's neighbouring countries (Germany, Belgium, and France) benefit from a tolerance for working days performed outside Luxembourg. This tolerance refers to the number of working days employees can work outside Luxembourg without altering their tax obligations in Luxembourg. Here are the thresholds established for the fiscal year 2023:

> **France:** 34 days (ratification process running in France)

> **Belgium:** 34 days

> **Germany:** 19 days (34 starting from the fiscal year 2024)

Exceeding this threshold due to reasons like teleworking, business trips, or professional training will trigger a shift of taxation right towards the country of residence, with a splitting of the salary taxation.

For non-resident employees residing in other countries, no tolerance thresholds are in place, and the shift of taxation happens normally as from day one.

Practical considerations

For employees tax residents in Belgium, Germany or elsewhere, in case of taxation right split, the taxation of the proportion of remuneration derived from non-Luxembourg working days occurs through the filing of the employee's personal income tax return in their country of residency.

For French tax residents, Luxembourgish employers and the employees themselves need to navigate through additional formalities beyond payroll exoneration.

Working abroad can also have consequences for Luxembourgish employers in certain situations, such as triggering corporate income tax obligations when creating a permanent establishment.

Focus on additional formalities for French residents

EMPLOYERS' OBLIGATIONS

- Filing of an annual French PASRAU declaration for French tax residents by the 10 February of the following year.

This declaration requires some preliminary actions, such as:

- Registration with the “Guichet Unique” to obtain a French SIRET number.
- Creation of a professional online account on impots.gouv.fr.
- Conversion of the employees' remuneration in accordance with French tax rules to calculate the portion of remuneration taxable in France.

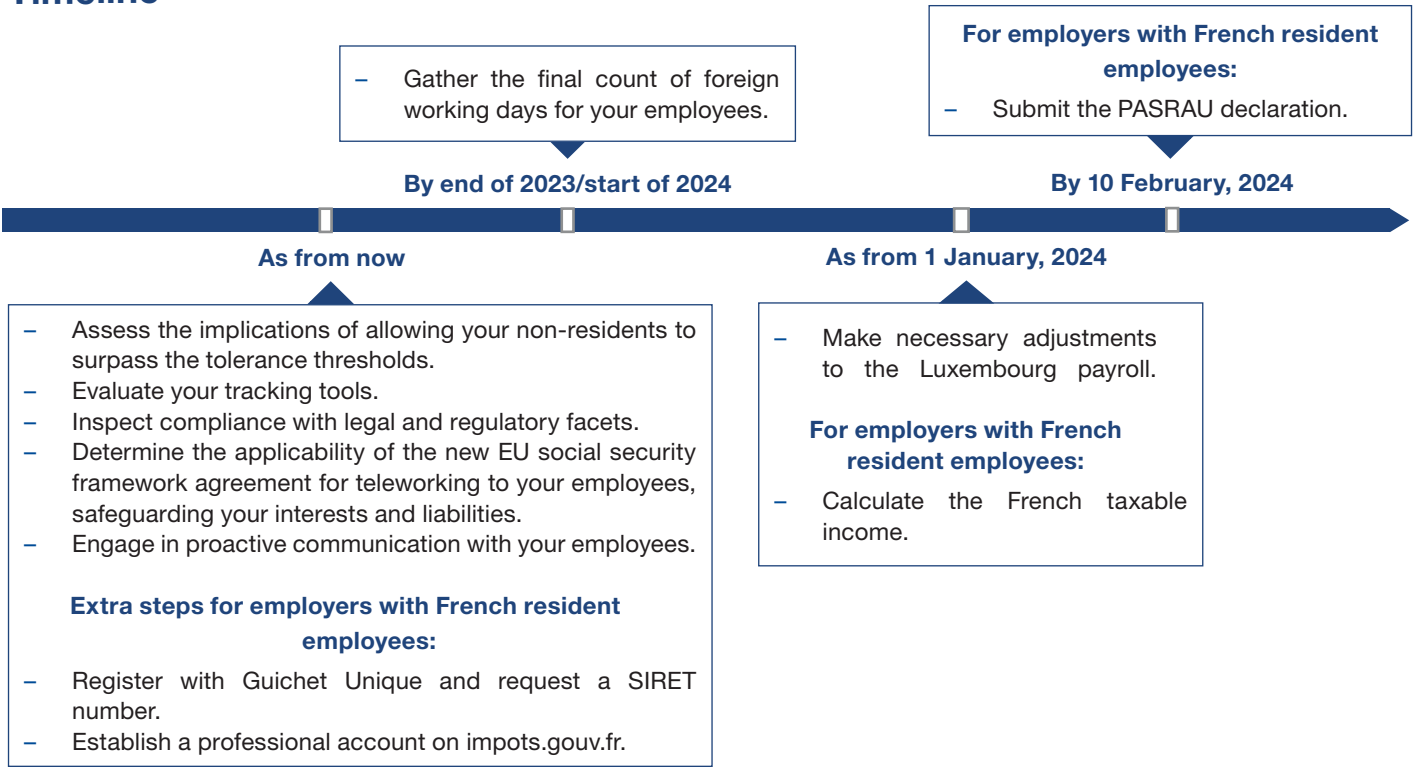
EMPLOYEES' OBLIGATIONS

- Initiating tax advances (“*acompte contemporain*”) through the employee's portal on impots.gouv.fr.
- Filing of an individual income tax return in compliance with French tax requirements, which includes reporting worldwide income.

Snapshot on key considerations for Cross-Border Employment in Luxembourg



Timeline



How can Arendt help you?

In collaboration with French counsels, Arendt is able to provide exhaustive support for your cross-border population, serving as a one-stop shop for covering employers' and employees' obligations arising from cross-border activities, including:

- Registration formalities in France
- Collaborative implementation of proper payroll exemption with your payroll provider.
- Preparation and submission of the annual PASRAU declaration
- Organisation of workshops and communications dedicated to your employees
- Support for enabling the application of the new EU social security framework agreement
- Permanent establishment risk analysis
- Teleworking policy/employment contract review
- Regulatory sanity check

Why choose the Arendt offer?

Teleworking has undoubtedly become a top priority for employees. Employers able to offer flexibility gain a significant edge in the competition for talent and significantly increase their attractiveness.

Partnering with Arendt on these key aspects will empower you to provide the flexibility employees are seeking while maintaining compliance, staying ahead of evolving legal regulations, and relieving the administrative complexities associated with cross-border teleworking.

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