

LUXEMBOURG – TAX CONSIDERATIONS ON SHORT-TERM LETTINGS

The following information is a guide to help you get started in learning about some of the tax requirements that might apply to you when providing short-term accommodation in Luxembourg.

Tax can be tricky and it is important to ensure that you keep up to date with your tax obligations and remain tax compliant. The timely preparation, filing and payment of taxes are your responsibility.

If you are supplying short-term accommodation in Luxembourg, you should make sure that you understand each of the following types of taxes, and pay the ones that apply to you:

- Income taxes
- Value added tax (VAT)
- City tax (only in Mamer)

We draw your attention to the fact that Airbnb may have an obligation to report income earned by users of the platform. Therefore, if there is a mismatch between the information reported by Airbnb and the income you reported in your annual income tax return, the tax authorities may ask you questions.

Please understand that this information is not comprehensive, and is not intended to be legal advice. If you are unsure about your local tax obligations, we encourage you to check this with official local sources, or to seek advice from qualified professionals.

Please note that we do not update this information in real time, so you should confirm that the laws or procedures have not changed recently.

INCOME TAX

Where an individual earns income in Luxembourg, it is likely that they will be required to pay a percentage of this income to the Luxembourg direct tax authorities. Below is a brief outline of the tax that may arise on income earned from short-term lettings in Luxembourg and some information on how this tax can be paid over to the Luxembourg direct tax authorities.

Luxembourg's tax year runs from 1 January to 31 December.

Coming within the charge to income tax in Luxembourg.

If you are in receipt of rental income that is higher than €600, then the entire amount should be declared and subjected to taxation. However, it might be that no taxes will actually be due if the total taxable income (including other sources of income) is lower than the first tax bracket (and depending on the family situation of the taxpayer).

Tax rates range from 0% to 42% and a surcharge for the unemployment fund amounts to 7% or 9% depending on the total taxable income. Therefore, the maximum effective tax rate is 45.78% (42% x 1.09). The following are the single payer income tax rates (including surcharge for unemployment fund):

• € 0 – 11,265	0%
• € 11,266 - 13,137	8.56%
• € 13,138 – 15,009	9.63%
• € 15,010 – 16,881	10.70%
• € 16,882 – 18,753	11.77%
• € 18,754 – 20,625	12.84%
• € 20,626 – 22,569	14.98%
• € 22,570 – 24,513	17.12%
• € 24,514 – 26,457	19.26%
• € 26,458 – 28,401	21.40%
• € 28,402 – 30,345	23.54%
• € 30,346 – 32,289	25.68%
• € 32,290 – 34,233	27.82%
• € 34,234 – 36,177	29.96%
• € 36,178 – 38,121	32.10%
• € 38,122 – 40,065	34.24%
• € 40,065 – 42,009	36.38%
• € 42,010 - 43,953	38.52%
• € 43,954 - 45,897	40.66%
• € 45,897 - 100,002	41.73%
• € 100,003 - 150,000	42.80%
• € 150,001 - 200,004	44.69%
• € 200,005 and above	45.78%

A dependency contribution of 1.4% is also due.

More information on this can be found on the Luxembourg direct tax [website](#).

Reporting tax in Luxembourg.

If you are filing a tax return in Luxembourg you must use a Form 100 (tax return)/ Form 163 (withholding tax adjustment). A Form 190 must also be completed, if you are in receipt of rental income, and filed as an appendix to the Form 100 tax return.

Returns are usually filed by paper mail with the tax authorities or electronically on the dedicated [website "MyGuichet"](#):

Reporting tax - filing deadline.

The deadline for filing a Form 100 for the fiscal year is 31 December of the year following the end of the tax year.

The deadline for filing a Form 163 is 31 December of the year following the end of the tax year. There is no extension available for this deadline.

Reporting tax - payment deadline.

The tax liability is determined by the tax authorities. If a Form 100 is filed, the direct tax authorities will issue a tax assessment indicating the taxes to be paid or the tax to be refunded to you. The deadline for the payment of taxes is 1 month after the issuance of the tax assessment by the tax authorities.

In the case of Form 163, the tax authorities will not issue a tax assessment but will directly wire the tax refund to the bank account reported in the form.

Luxembourg Direct Tax Authorities contact details.

The competent Tax Office Authority depends on your residence and on the Form filed. For more information, please visit the [website of the Luxembourg direct tax authorities](#).

Typical expenses that can be deducted from an individual's income in relation to short - term lettings.

In principle, for properties rented out, all expenses in connection with the income can be deducted (e.g. interest on loan for acquiring the property, insurance, service fee charged by Airbnb, etc.).

However, there is no full legal clarity on the tax treatment of renting out your main residence or a secondary residence for a short-term period. We would expect that a split should be done between periods during which the property is rented out (or advertised for renting) and other

periods. Expenses would then need to be apportioned between those periods. No expenses can be deducted for the main residence (other than interest on mortgage loans - subject to an annual ceiling) and for secondary residence unless clearly connected with a taxable income (i.e. the rental income)

Given the lack of clarity on the tax treatment, we strongly encourage you to seek advice from a local tax professional who can assess your situation.

Deductions available for tax depreciation (e.g. capital allowances / wear and tear).

Should the income qualify as a rental income, an amortization of 2%, 4% (entitling a special tax allowance¹) or 6% (in case of energy-efficiency improvement) of the purchase price (less land's price and acquisition costs) will apply. The percentage is based on the year of construction.

Luxembourg income tax obligation for non-resident individuals.

If you are non-resident and you are in receipt of rental income from a property in Luxembourg in excess of €600, then you will be obliged to file a tax return in Luxembourg.

Luxembourg income tax obligations for a Luxembourg tax resident individual in receipt of foreign rental income.

If you are a tax resident of Luxembourg and you are in receipt of foreign rental income exceeding €600, you should declare this income on your tax return. This income will be exempt in Luxembourg but considered to determine the effective global tax rate applicable to the Luxembourg sourced income only ("exemption with progression" method).

General property taxes payable.

Each commune of Luxembourg is authorized to levy a municipal tax (property tax) on immovable property located in the commune. Property tax is assessed on property ownership, irrespective of how the property is used (private residence, commercial use, mixed use, etc.) or the sources of the financing used by the taxpayer to acquire it.

¹ The 4% accelerated depreciation is limited to two buildings or parts of built buildings for houses acquired or constructed after 31 December 2022 as implemented by the Grand-Ducal regulation dated 23 December 2022, amending the amended Grand-Ducal regulation dated 19 November 1999 implementing article 106, subparagraphs 3 and 4 of the amended Income Tax Law dated 4 December 1967 (flat depreciation base and depreciation rates for rental properties).

The person liable for the property tax for the entire year is the owner of the property on 1 January. The commune where the property asset is located sends the owner a property tax statement each year specifying the amount to be paid and the payment schedule. The quarterly property tax payment dates are usually 15 February, 15 May, 15 August and 15 November for property tax exceeding €110. If property tax is below €55, the total amount for a given year should be effected by 15 November. In case the property tax is between €55 and €110, half of the total amount should be settled by 15 May and the other half by 15 November².

Capital taxes in Luxembourg.

Capital gains on the sale of immovable property, within 2 years or less from the acquisition, are taxed as ordinary income at the normal income tax rates. Gains on the disposal of immovable properties held for more than 2 years are taxed at half the normal tax rate.

The first €50,000 of long-term taxable gains (€100,000 for jointly taxed couples) in an 11 year period are tax exempt.

Any capital gain on the sale of your principal residence is exempt.

Sample Tax Computation		
Zoé owns a 2 bedroom house in Luxembourg. She rents her spare room occasionally on weekends which represents 35% of the total surface.		
The total gross rent received for 2023 was €7,000.		
Zoé incurred the following expenses in relation to this house in 2023: house insurance €500, local property tax €350, mortgage interest €2,500 and electricity €600.		
		€
Gross rental income		7,000
<i>Less allowable expenses:</i>		
	House insurance (35% of the total amount)	(175)
	Local property tax (35% of the total amount)	(123)

² Bill of law nr 8082 filed with the Luxembourg Parliament on 10 October 2022 (and not yet voted) foresees a new calculation of the current real estate tax. The bill also includes a proposal for a new tax on unoccupied residential real estate and another tax for unbuilt land.

	Mortgage interest (35% of the total amount)	(875)
	Electricity (35% of the total amount)	(210)
Taxable rental income		5,617

VALUE ADDED TAX

Value added taxes can be complicated and you should take time to understand the rules as they apply to you and your particular situation.

Broadly speaking, Value-Added Tax (VAT) in Luxembourg is a tax on consumption. Most goods and services supplied in Luxembourg are subject to VAT.

A person who supplies goods and/or services in Luxembourg may have to charge VAT and pay this to the Luxembourg indirect tax authorities. As with all taxes, we encourage you to consult with a tax advisor regarding your potential VAT obligations in Luxembourg.

If you are currently renting a room to guests, you may be required to apply VAT to your rental charge and to pay this VAT amount to the Luxembourg indirect tax authorities. As Airbnb is not supplying the rental, it is the responsibility of the host to consider local VAT obligations of the rental charge.

Do I need to collect any VAT from guests if I am letting short-term accommodation in Luxembourg?

In general, individuals who are considered to be in business in Luxembourg need to charge VAT on their supplies, once the criteria for VAT registration are met.

Currently, in Luxembourg, you are required to register for VAT if you supply services to the value of €35,000 in any continuous period of twelve months. As such, if you supply short term accommodation and you exceed this threshold, you should register for VAT. If your turnover is less than this amount you may be able to benefit from the "small business scheme", you should contact a local tax advisor in order to assess whether this is applicable to you.

If you are an individual who is not resident in Luxembourg, but your accommodation is located in Luxembourg, then you should also register for VAT, as no registration threshold applies to you.

We encourage you to consult a tax advisor if you need assistance in determining whether you

need to register for and charge VAT.

For further guidance on registering for VAT, please see the Luxembourg indirect tax authorities' [website](#) (AEDT).

VAT applies to me. How do I determine how much tax I need to collect from my guests?

VAT rates differ per country and change periodically. We recommend you to check on a regular basis with the local tax authority to get the most up to date VAT rates for the country where you are required to pay VAT.

For example, at the date of issuance of this document, the VAT rate applicable to supplies of holiday accommodation is 3% in Luxembourg. Holiday accommodation is accommodation which is considered temporary.

However, there are other VAT rates currently in force in Luxembourg, so we recommend that you confirm with a local tax advisor the VAT rate applicable to your supplies.

VAT applies to me. How do I collect VAT from guests?

If you determine that you need to charge VAT on the supplies that you make to guests, please keep in mind that you have to collect this VAT from your guests and report and remit this VAT on a periodic VAT return. In Luxembourg, the VAT return typically covers an annual, quarterly or monthly basis, depending on the value of your turnover. If your turnover is:

- less than €112,000 you should file one annual return,
- between €112,000 and €620,000 you should file quarterly returns and one annual summary return,
- above €620,000 you should file monthly returns and one annual summary return.

Annual VAT returns are required to be filed by the 28th of February of the following year (e.g., the 2023 VAT return should be filed by 28 February 2024). However, you may be able to make use of an extension until 31 October. Quarterly and monthly VAT returns are required to be filed by the 15th of the month following the end of the period (e.g., the January VAT return must be filed by the 15th of February). However, you may be able to make use of a 2 month extension. Finally, annual summary VAT returns are required to be filed by 30 April of the following year. However, you may be able to avail of an extension until 31 December.

Some formalities, such as issuing a receipt or an invoice to your guests, may be required. Please find more information on this [here](#).

For further guidance on filing VAT returns, please see the Luxembourg indirect tax authorities'

[website](#).

There may also be requirements around whether you use VAT-inclusive or VAT-exclusive pricing. We recommend that you check your obligations in terms of pricing and the applicable invoice requirements with a local tax advisor.

CITY TAX (ONLY IN MAMER AND VIANDEN)

As of 1st July 2019, the municipality of Mamer applies a city tax of 3% on the income.

Therefore, if you are currently renting a room to guests in Mamer, you may be required to apply 3% to your rental charge and to pay this tax to the municipality of Mamer.

As of 1st January 2023, the municipality of Vianden applies a city tax of €2 per person and night.

Consequently, if you are currently renting a room to guests in Vianden, you may be required to add €2 per person and night to your rental charge and to pay this tax to the municipality of Vianden.