

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)

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 the tax on this income to the Luxembourg tax authority. 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 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).

A dependency contribution of 1.4% is also due.

More information on this can be found on the Luxembourg 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.

Reporting tax - filing deadline.

The deadline for filing a Form 100 for the fiscal year is 31 March of the year following the end of the tax year. This is automatically extended to 31 December of the year following the end of the tax year without penalties or interests.

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 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.

Luxembourgers Tax Authority contact details.

The competent Tax Authority depends on your residence and on the Form filed. Below is a link to the website of the Luxembourgers tax authority.

<https://impotsdirects.public.lu/fr/profil/organigramme.html>

Luxembourgers income tax rates.

Progressive income tax rates from 0% up to 45.78% are applied in Luxembourg. In addition to this there is a 1.4% dependency contribution.

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 etc.).

However, there is not full clarity on the tax treatment in the case where the property which is rented out for short-term period is your main residence or a secondary residence. 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.

If you are unsure of how your income should be taxed in Luxembourg, you should consider seeking advice from a tax professional.

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

Should the income qualify as a rental income, an amortization of 2%, 3% or 6% of the purchase price (less land's price and acquisition costs) will apply. The percentage is based on the year of construction.

Luxembourgers 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.

Luxembourgers income tax obligations for a Luxembourgers 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 authorised 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.

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. As unit values assigned to properties are based on old tables, such unit values are typically very low and property taxes are also very low.

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.

A temporary measure applies, until the end of 2018, regarding the capital gains on the sale of immovable property held for more than 2 years. These capital gains are taxed at a quarter of the global tax rate, subject to the condition that the immovable property was held in the context of the taxpayer's private wealth. First €50,000 of long-term taxable gains (€100,000 for jointly taxed 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.

The total gross rent received for 2018 was €7,000.

Zoé incurred the following expenses in relation to this house in 2018: 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	(500)
	Local property tax	(350)
	Mortgage interest	(2,500)
	Electricity	(600)
Taxable rental income		3,050

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 tax authority. 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 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 is met.

Currently, in Luxembourg, you are required to register for VAT if you supply services to the value of €30,000 in any continuous period of twelve months. As such, if you supply short term accommodation and you breach 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 tax authorities' website (AED).

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 may be able to file one annual return, if your turnover is between €112,000 and €620,000 you may be able to file quarterly returns and one annual summary return, if your turnover is above €620,000 you may be able to 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. However, you may be able to avail 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 (i.e. January VAT return must be filed by 15th of February). However, you may be able to avail 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 returns, please see the Luxembourg 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.