

Pinboard - January 2019

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1. Increase of minimum social wage

The minimum social wage was increased by 1.1% on 1 January 2019.

The amounts to be taken into consideration henceforth are as follows:

	Unskilled minimum social wage	Unskilled minimum hourly rate	Skilled minimum social wage	Skilled minimum hourly rate
2018	€2 048.54	€11.8413	€2 458.25	€14.2095
2019	€2 071.10	€11.9717	€2 485.32	€14.3660

Furthermore, the minimum social wage is expected to be increased further in the course of 2019. More specifically, the new government has planned an increase of €100 net in its coalition agreement, with a retroactive effect as of 1 January 2019. We are waiting for the precise arrangements of this increase.

2. Calculation of salaries – new social parameters

- **New employer's contribution rates 2019**

The single contribution rate for accident insurance will be reduced from 0.9% to 0.8% as of 1 January 2019.

By way of reminder, the Grand-Ducal Regulation of 8 February 2016 introducing a no-claims bonus system is applicable as of financial year 2019. The basic rate of 0.8% for all contributors (employers and freelancers) will be “individualized” by applying a specific multiplication factor to each contributor known as the “no-claims bonus factor.”

This factor could assume the following values: **0.9, 1, 1.1, 1.3 and 1.5**. The basic rate would then be multiplied by one of these values to determine the final contribution rate applicable to each company. In the course of January, the *Association d'Assurance Accident* (AAA) [Accident Insurance Association] is expected to inform employers of their “no-claims bonus” factor by letter.

Type	Periodic remuneration	Non-periodic remuneration
Health insurance (health insurance contribution)	2.8%	2.8%
Health insurance (cash contribution)	0.25%	0%
Pension insurance	8%	8%
Occupational health (STM [Multi-sector Occupational Health Service])	0.11% *	0.11% *
Accident insurance	0.8% x “no-claims bonus”	0.8% x “no-claims bonus”
Employers' Mutual Insurance	Depending on the risk category	Depending on the risk category

*Except if affiliated with another occupational health service (STI [Occupational Health Service for Industry], ASTF [Association for Occupational Health in the Tertiary and Financial Sectors])

- **New mutual insurance contribution rates 2019**

The contribution rates of the “Employers' Mutual Insurance” were changed on 1 January. Companies are divided into 4 contribution categories every year depending on the financial absenteeism rate of their employees.

Category	1	2	3	4
Contribution rate 2019	0.41%	1.07%	1.63%	2.79%
Contribution rate 2018	0.46%	1.16%	1.77%	2.95%

- **Indexing**

According to the latest STATEC [National Institute of Statistics and Economic Studies of the Grand Duchy of Luxembourg] forecasts, the next indexing is not expected before the end of 2019 or the beginning of 2020.

3. Changes concerning accommodation expenses abroad

The tax system for deducting accommodation expenses reimbursed to employees for travel abroad on business is subject to specific rules in Luxembourg.

The flat-rate reimbursement of business expenses abroad includes a day allowance and a night allowance which vary depending on the country where the employee is travelling.

The day allowance covers, on a flat rate basis, the employee's meals and business travel. It is granted for each entire day and starts on the day on which the employee is travelling. No voucher is required for the allocation of this allowance.

The night allowance covers the price of the hotel room, breakfast and service as well as all related taxes. Although it is a flat-rate allowance, the night allowance can be allocated only upon producing a voucher of the expenses incurred. In the absence of such a voucher, only a partial allowance, equal to 20% of the complete allowance, can be allocated exempt from taxes and social security charges.

A regulation specifies the maximum amounts of the day allowance and the night allowance for business travel abroad. Reimbursement can be granted net to employees up to these amounts. A higher reimbursement is possible, but the delta exceeding the maximum amounts fixed by the regulation will necessarily have to be imposed.

The maximum amounts to be taken into consideration as of 2019 are as follows:

Country/Cities	Day allowance	Night allowance
Luxembourg	€14	€56
Belgium	€50	€150
Brussels	€60	€220
France	€60	€170
Paris/Strasbourg	€60	€250/€230
United Kingdom	€70	€200
London	€90	€270
Germany	€60	€195
Berlin/Munich	€60	€200

4. What about leave entitlements in 2019?

The new government raised the idea of granting two additional days of leave in its coalition agreement. More specifically, it would entail granting a 26th day of legal leave as well as one additional official holiday, which would be May 9th (Europe Day).

The Minister for Labour, Mr Dan Kersch, stated at the beginning of the month that the measure would materialize very rapidly. The reform nonetheless requires amending two articles of the Labour Code. A bill will therefore have to be submitted beforehand in the Chamber of Deputies.

Please note that no bill on the subject has been submitted to date and we cannot be certain at this time that this measure will apply in 2019.

5. New developments in cash benefits as of 1 January 2019

The **Act of 10 August 2018** introduces a certain number of changes concerning cash benefits as of 1 January 2019:

- **Extension of the entitlement to sickness cash benefit**

Up to now, the entitlement to sickness cash benefit was limited to 52 weeks over a period of reference of 104 weeks. Since 1 January, work disability is compensated up to a threshold of **78 weeks maximum**, over a period of 104 weeks. The employment contract will therefore cease to exist upon the expiry of these 78 weeks of compensation.

- **New period of reference for the salary being maintained by the employer**

The employer is entitled to continue to pay the remuneration of an employee in work disability for the first 77 days of disability which are henceforth counted over a **reference period of 18 months** (as opposed to 12 months previously). The employer is then reimbursed 80% of this remuneration expense. Beyond these first 77 days, the Caisse nationale de santé (CNS) [National Health Fund] takes over from the employer and compensates the employee in work disability directly.

- **New scheme for returning to work gradually for therapeutic purposes**

The Act of 10 August 2018 also introduces a new measure called “gradual resumption of work for therapeutic purposes.” This measure therefore repeals and replaces part-time for therapeutic purposes as of 1 January 2019. Any work disability certificate attesting to part-time for therapeutic purposes will be irrelevant as of that date.

This new scheme was introduced to support and facilitate reintegration in work by people who have been seriously ill. An employee who is still ill, therefore, can return to work by organizing his work time and/or tasks. During this gradual return to work, the sickness cash benefit continues to be paid entirely by the CNS.