

Pinboard - April 2019

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1. What is Payroll Giving?

Put in place by **PADEM**, a humanitarian association accredited by Luxembourg's Ministry of Foreign and European Affairs, Payroll Giving is active in **10 countries** throughout the world with the prime objective of **helping underprivileged children**.

The association acts through different channels to that end:

- **Infrastructure and facilities:** access to drinking water, electricity, housing construction and latrines;
- **Education:** re-schooling, fight against child labour, school construction, renovation and facilities;
- **Health:** prevention and public health campaigns, construction of healthcare facilities and dispensaries;
- **Economic development:** vocational training, microfinance.



PADEM has created an innovative mechanism in Luxembourg to finance its actions: **PAYROLL GIVING** or “salary round-off.” Recently, 5 other NGOs have embarked on Payroll Giving also: Fondation Follereau, Frères des Hommes, Unity Foundation, Iles de Paix and Aide à l'Enfance de l'Inde et du Népal.

The principle is as follows: employees of a company donate eurocents from their salary to a humanitarian project on a voluntary basis.

Example: The employee should get a net salary of €2,526.55. By subscribing to Payroll Giving, he will receive €2,526 and the 55 eurocents will be deducted from his payslip and paid automatically to PADEM.

Advantages:

- **Accessible:** the employee may allocate the eurocents from his net salary but may also decide to allocate a higher amount.
- **Simple:** Everything is automatic, via your pay software, so there is no waste of time.
- **Advantageous:** tax deductible; a tax receipt will be issued at the end of the year on the total annual donations.
 - ➔ For tax residents of Luxembourg, the tax legislation requires that the annual total of donations has to be at least €120 or higher to be tax deductible.
 - ➔ For border residents, donations to PADEM are tax deductible under European legislation. The employee thus gets a tax receipt which is recognized by all European tax authorities.
- **Total freedom:** employees choose the amount they wish to donate and can change or even stop it as and when they want.

Securex is a partner of PADEM for the implementation of Payroll Giving. At the beginning of each year, Securex employees can therefore choose a humanitarian project to which they wish to have their donations paid.

Please do not hesitate to contact us if you need more information on Payroll Giving!

2. Additional leave and official holiday

The new government had already raised the idea of giving employees two additional days off in its coalition agreement. The Labour Code will have to be amended accordingly to that end. A bill was consequently introduced to that end at the end of January, and was adopted unanimously by the Chamber of Deputies on 27 March.

9 May (Europe Day) becomes an official holiday in Luxembourg. It was in fact on 9 May 1950 that Robert Schuman, then French minister of foreign affairs, proposed the creation of a European organization. This speech is considered as the founding text of the construction of Europe. Less than a year later, the Treaty of Paris founded the European Coal and Steel Community (ECSC) which would then ultimately lead to what we today call the “European Union.”

Furthermore, employees will henceforth have **26 legal days off (instead of 25)** for a complete year worked on a full-time basis. This additional day off will apply automatically to employees who up till then got 25 legal days off.

Employees who already had a higher number of days off are advised to check the wording of the applicable employment contracts, agreements and pacts to determine whether they are entitled to an additional day off.

For the sake of simplification, the date of entry into force for the Act was fixed retroactively on 1 January 2019.

3. New increase of minimum social wage planned

The new government had already planned a 2% increase in the minimum social wage in its government coalition agreement. An initial increase of 1.1% had already taken place in January. On 1 March, a new bill was introduced to amend the Labour Code so as to increase the minimum social wage by 0.9%.

It is worth noting that this increase will enter retroactively into force as of 1 January 2019.

The amounts to be taken into consideration will henceforth be as follows (Index: 814.40)

	Unskilled minimum social wage	Unskilled minimum hourly rate	Skilled minimum social wage	Skilled minimum hourly wage
Applicable currently (2018 + 1.1%)	€2 071.10	€11.9717	€2 485.32	€14.3660
Planned increase (2018 + 2%)	€2 089.75	€12.08	€2 507.70	€14.50

4. Creation of a new tax credit

In its coalition agreement, the new government had already raised the idea of a €100 net increase of the minimum social wage (MSW), with retroactive effect as of 1 January 2019.

Following the increase of 1.1% of the minimum social wage on 1 January 2019, and that planned (0.9%), the gross amount of the MSW is increased by ca. €41 / month for unskilled workers and by ca. €49 / month for qualified workers. Depending on the tax bracket under which the employees fall, the net amount of these increases varies from €30.82 to €39.48.

A bill was introduced on 5 March 2019 for a new tax credit: the “minimum social wage tax credit” (MSWTC) for an amount of €70.

The idea is to have the MSWTC apply only to employees with a salary close to the current minimum social wage. As in the case of the employee tax credit (ETC) to which it is added, the MSWTC would be paid monthly with the salary, by the employer, on the basis of the tax card.

Gross monthly salary	Amount of MSWTC
Between € 1 500 and € 2 500	70 €
Between € 2 500 and € 3 000	Degressive formula from €70 to €0

According to information in our possession at this time, the measure is to enter retroactively into force in July, for the first six months of the year. This information has to be verified.

5. New law for Time Savings Account (TSA)

Introduced in June 2018, the Time Savings Account bill was adopted on 12 March. Already applied in the public sector, the TSA enables employees to accumulate days of leave or rest not taken and use them subsequently according to their personal situations. They can thus plan their period of work and free time better. The inherent principle of the TSA is therefore to save time freely with a view to future needs.

The employer has discretionary power as to the implementation of a TSA. It is a voluntary approach, in fact – not an obligation. A TSA should be put in place through a collective bargaining agreement, i.e. an inter-professional agreement at the national or sectoral level. In the second case, an agreement will have to be reached by and between the employee and the staff representatives, which must then be endorsed by the Minister of Labour.

The TSA will for instance enable the employee to book his overtime, additional days off granted beyond the 26 legal days off, or compensatory rest granted in case of work on Sunday or when an official holiday falls on a Sunday.

6. Deduction at source in France: impact for Luxembourg?

As you are undoubtedly aware, France has also introduced deduction at source as of 1 January 2019.



The legislative amendment by our French neighbours is bound to have an effect on Luxembourgish employers who may be impacted in different situations: when they authorize teleworking for their employees who are French residents, or when Luxembourgish employees are posted in France, or in the case of payroll split between France and Luxembourg.

The introduction of deduction at source makes things more complex for Luxembourgish employers in that they henceforth have to pay the French tax authorities the tax corresponding to days of work in France. To that end, Luxembourgish companies have to register in France. They can also decide to designate a tax representative who will attend to these formalities on their behalf.

7. What about the next wage indexing?

As of 1 March 2020, the use of public transport will be free on the entire territory of the Grand Duchy of Luxembourg, for all its users. In a parliamentary question last February, Deputy Gilles Roth wanted to know what impact this free use of public transport would have on the consumer price index.

The minister for finance, Pierre Gramegna, and his counterpart for economic affairs, Etienne Schneider, indicated that free public transport will account for ca. 1% of the consumer price index (CPI) basket. Thus, *"according to STATEC's latest inflation forecasts, the free public transport announced could postpone the anticipated triggering threshold of an index tranche by one month with regard to an unchanged policy scenario."*

Such a scenario is not new. In fact, the measure for free supervision of children aged 1 to 4 in collective childminding structures introduced in October 2017 had already had similar consequences. This measure represented 2.3% of the CPI basket and triggered an index tranche with a quarter's delay.

According to this information, the next indexing should not take place before the **4th quarter** of 2019.

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