



The new Franco-Luxembourgish agreement

In March 2018, France and Luxembourg managed to negotiate a new agreement against double taxation to replace the former treaty of 1958 by including the new international taxation standards. Ratified by France last February already, this new agreement has just been ratified by the Chamber of Deputies.

This new agreement puts an end to the exemption system that had existed until then and replaces it with an imputation system. In concrete terms, at present, cross-border workers residing in France are exempted from taxation in France because they are taxed in Luxembourg. Next year, they will be subject to tax in France if the tax rate in Luxembourg is lower than that in France. The Luxembourgish Minister for Finance, Pierre Gramegna, summarized the matter as follows: "When you pay €100 in Luxembourg but you would have paid €120 in France, you will have to pay €20 in France."

A priori, only the lowest wages would be impacted because the first Luxembourgish tax brackets are lower than the first French tax brackets.

Furthermore, we do not know what the position of the French tax authorities will be. In fact, many tax experts point out that this agreement will not necessarily be applied strictly by the French State, which may decide not to collect this tax difference.

The long-awaited major breakthrough of this agreement concerns teleworking. In fact, whereas the 1958 treaty provided no tolerance threshold, the new treaty confers a right to 29 days of teleworking per year. Workers residing in France can telework 29 days per year while continuing to be taxed in Luxembourg. The agreement does not however specify how these telework days are to be counted. A certain number of details are therefore still expected...

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