

Pinboard – January 2020

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1. Indexation has been triggered

According to the results published by STATEC on Tuesday, 24 December, and confirmed on 10 January of this year, the annual inflation rate of the national consumer price index (NCPI) stood at 1.7% in December 2019, thereby triggering a new indexation. All salaries, wages and pensions are **increased by 2.5% as of 1 January 2020.**

The new index used in the mobile salary grid is henceforth set at **834.76 points** (previously: 814.40 points). The automatic salary adjustment to this grid is provided under Article 223-1 of the Labour Code. It is a matter of public policy so the employer is required to comply with it and the employee cannot forego it. Any prior waiver of the application of index changes is not binding.

The amounts to take into consideration for minimum social wages henceforth are as follows:

	Unskilled minimum social wage	Unskilled minimum hourly rate	Skilled minimum social wage	Skilled minimum hourly rate
2019	€2,071.10	€11.9717	€2,485.32	€14.3660
2020	€2,141.99	€12.3815	€2,570.39	€14.8578

2. Calculation of salaries – New social parameters 2020

New social security caps

Social security contributions are no longer collected as of these caps, with the exception of the 1.4% contribution for nursing care insurance.

Monthly cap	€10,709.97
Annual cap	€128,519.64

New contribution rate for Accident Insurance

The single contribution rate for accident insurance is lowered for 0.8% to **0.75%** as of 1 January 2020.

By way of reminder, the Grand Ducal Regulation of 8 February 2016 introducing a no-claims bonus system is applicable as of 1 January 2019. The basic rate of 0.75% for all contributors (employers and freelancers) is consequently “individualized” by applying a specific multiplication factor known as the “no-claims bonus factor.”

This factor may take 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. The “no-claim bonus” factor for 2020 was notified to the employers by post at the end of 2019.

New Mutual insurance contribution

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

Category	1	2	3	4
Contribution rate 2019	0.41%	1.07%	1.63%	2.79%
Contribution rate 2020	0.46%	1.07%	1.58%	2.70%

3. Change in the CO₂ standard and impact on the payroll





As you are undoubtedly aware, the Ministry of Mobility and Public Works has confirmed that new Worldwide Harmonized Light Vehicle Test Procedure (WLTP) standards have been introduced concerning the taxation of company cars. This new standard replaces the standard currently in force called the “New European Driving Cycle” (NEDC). These new standards will have a direct impact on the **road tax** and on the **calculation of the benefit in kind**. How will this affect your next leasing vehicle?

These different standards for the approval of vehicles are used to measure the fuel consumption, electric range as well as CO₂ emissions and other pollutants. Designed in the 1980s, the NEDC standard has become obsolete in view of developments in technology and driving conditions. That is why the European Union developed the new WLTP standard. More specifically, driving tests have to be carried out in order to determine the CO₂ emission rates. Whereas the former NEDC determined test values based on a theoretical driving profile, the WLTP standard has been developed on the basis of real driving data collected from around the world.

2020 should therefore serve as a pivotal year in order to implement change and prepare optimally for the gradual placement of new models on the market, while anticipating the massive arrival of alternative vehicle engines in 2021.

Whereas the benefit in kind for company cars will continue to be determined by reference to the vehicle engine and the rate of CO₂ emissions, the same vehicle will be subject to a different tax treatment **depending on its registration date!** It is therefore vital to distinguish between the following different cases:

- Contracts that already exist or were signed up to 31 December 2019 with placement of the vehicle in circulation in 2020 will continue to be taxed on the basis of NEDC values for the entire term of the lease agreement.
- For vehicles ordered and registered in 2020, **the benefit in kind will be calculated with NEDC values in 2020 and with WLTP values as of 2021.**
 - This will therefore have an impact on the payslips of your employees as the benefit in kind will change in 2021 for one and the same vehicle. Garages and leasing companies will apprise you of the CO₂ rates according to both standards. So bear this duly in mind!
- The benefit in kind will be calculated on the basis of WLTP values for all vehicles registered as 1 January 2021.

2019	2020	2021	2022
			
BIK calculated according to NEDC values for contracts signed in 2019 and a vehicle registration in 2020. The NEDC values will continue to be applied for the calculation of the BIK until the end of the leasing contract .			
			
	BIK calculated for 2020 according to NEDC values	BIK calculated as from 2021 according to WLTP values	
			
		BIK calculated according to WLTP values for vehicles leasing registered as from 2021	


signature of
the leasing contract


date of the
first registration

The major impact of this change in standard concerns the CO₂ emission rate of new vehicles, which will generally be higher, thereby entailing a greater benefit in kind. The average increase in the CO₂ rate will be between 7% and 10%.

To get a precise idea of the financial impact, each salaried employee who is about to order a leasing vehicle should ask the garage or the leasing company about emissions on WLTP (grams). It is worth bearing in mind that this figure remains an indication, and only the CO₂ rate indicated on the certificate of conformity will be considered when calculating the benefit in kind.

4. What are the rules concerning a public holiday that falls on a weekend?

Four public holidays will fall on a weekend this year: 1 May (Europe Day), 15 August (Assumption Day), 1 November (All Saints' Day) and 26 December (Saint Etienne's Day). Three of these days fall on a Saturday. What are the rights of salaried employees?

➤ Public holiday falling on a Sunday:

According to Article **L 232-3 of the Labour Code**, if a public holiday falls on a Sunday, employees are entitled to 1 compensatory day off to be taken individually within 3 months from the date of the public holiday in question.

➤ **Public holiday falling on a business day (Monday to Friday):**

According to Article **L 232-6 of the Labour Code**, if a public holiday coincides with a day of the week during which the employee would not have worked in any event pursuant to the terms of his or her contract, s/he will also be entitled to 1 compensatory day off to be granted within 3 months as of the day after the public holiday at issue.

In both cases, the Labour Code nonetheless stipulates that the compensatory day off should be granted before the end of the calendar year for the sake of the operational needs of the company, except for public holidays in November and December, which could be recovered in the first 3 months of the following year.

It is worth noting that the compensatory day off must necessarily be taken in kind and may not be valued by means of financial compensation.

- When preparing your holiday counter for 2020, **don't forget to add these 4 compensatory days off** to the statutory and extra holidays traditionally granted to your employees!

5. Reminder concerning the work permit

Luxembourg is a small country where many nationalities mingle. We very often wonder about the need of a work permit. What are the rules?

All EU citizens as well as citizens of States which are parties to the Agreement on the European Economic Area (Norway, Iceland, Liechtenstein and Switzerland) can work freely in all these 32 countries without formalities.

It should be borne in mind that the criterion is the **nationality** of the worker, who must therefore have an international passport which is still valid for at least 1 year.

Conversely, all citizens who are nationals of a third country will have to obtain a work permit in order to work in Luxembourg. Consequently, before hiring someone from a third country, an employer should check that person's situation without fail: does s/he hold a valid work permit in Luxembourg?

It must be emphasized that a residence / work permit in a neighbouring country does not in and of itself suffice to authorize that person to work in Luxembourg.

Each situation requires a particular analysis and a specific work permit. Depending on the situation, it will be necessary to apply for a work permit for a salaried employee, a highly skilled worker (European blue card) or an intern... Irrespective of the work permit required, the person may not start working before it has been obtained.



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