

Pinboard – January 2021

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I. Increase of the social minimum wage

The social minimum wage has been increased as of 1 January 2021.

The social minimum wage (SMW) has been increased by 2.8% as of 1 January 2021. It should be noted that the index remains unchanged (834.76).

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

Index 834.76	social minimum wage for unskilled workers	Minimum hourly rate for unskilled workers	Social minimum wage for skilled workers	Minimum hourly wage for skilled workers
2020	€2,141.99	€12.3815	€2570.39	€14.8578
2021	€2,201.93	€12.7279	€2,642.32	€15.2735

Support for businesses

The government has provided new financial aid to help businesses that have been hard hit by the crisis and will see their expenses increase through the rise in the minimum wage.

This aid will be available to companies that are eligible for the recovery and solidarity fund and companies in the in-store retail trade within the meaning of the Act of 24 July 2020.

This aid will assume the form of a lump-sum subsidy of **€500 per employee** whose monthly pay is greater than or equal to the social minimum wage and less than or equal to the social minimum wage for skilled workers. It will be granted for **employees hired before 31 December 2021** and working during the first half of 2021. The amount of €500 will be prorated for part-time employees. This **tax-exempt** aid for the company may not exceed €200,000, however.

An application for this aid must be sent to the Minister in writing by **30 September 2021 at the latest**.

For trainees

The increase in the social minimum wage also affects the remuneration to be taken into account for trainees.

Index 834.76	Monthly rate	Hourly rate
30 % of the social minimum wage for unskilled workers if compulsory internship of ≥ 4 weeks	€660.58	€3.8184
40 % of the social minimum wage for unskilled workers if practical training of 4-12 weeks	€880.77	€5.0912
40 % of the social minimum wage for skilled workers* if practical training of 4-12 weeks	€1,056.93	€6.1094
75 % of the social minimum wage for unqualified workers if practical training of ≥ 12-26 weeks	€1,651.45	€9.5459
75 % of social minimum wage for skilled workers* if practical training of ≥ 12-26 weeks	€1,981.74	€11.4551

*For trainees who have completed successfully a first cycle of higher or university education (BTS [Higher National Diploma]/Bachelor's Degree), the reference salary is the social minimum wage for skilled workers as provided under Article L. 152-8 of the Labour Code.

II. New parameters for calculating wages

As every year, various parameters that have a direct impact on the calculation of wages are adjusted on 1 January.

New social security contribution caps

Above these caps, (employer and employee) social security contributions are no longer levied, with the exception of the 1.4% contribution for long-term care insurance.

Monthly cap	€11,009.65
Annual cap	€132,115.80

New occupational health contribution rate

The contribution rate payable by employers who opt to use the multi-sector occupational health service is set at 0.14% for financial year 2021.

New Mutual Insurance contribution rate

The "Employers' Mutual Insurance" contribution rates were changed on 1 January. Companies are divided into 4 contribution classes each year in accordance with the rate of financial absenteeism of their employees.

Class	1	2	3	4
Contribution rate 2020	0.46%	1.07%	1.58%	2.70%
Contribution rate 2021	0.53%	1.05%	1.50%	2.88%

Increase of tax credit for employees

Whereas the tax credit for employees was previously capped at €600 per year, the maximum amount will now be €696 per year, i.e. an increase of €96.

The new calculation formulas are provided below:

Income	Amount of tax credit for employees
Annual income between €936 and €11,265	from €396 to €696 per year [396 + (gross salary - 936) x 0.029]
Annual income between €11,266 and €40,000	€696 per year
Annual income between €40,001 and €79,999	from €696 to €0 per year [696 - (gross salary - 40,000) x 0.0174]

III. Change of the CO₂ standard and impact on the payroll

As you know, on 1 January 2021, the new Worldwide Harmonised Light Vehicle Test Procedure (WLTP) standard replaced the NEDC standard concerning the taxation of company cars and, more specifically, the amount of the benefit in kind.

The benefit in kind for company cars continues to be determined according to the engine and CO₂ emission rate. On the other hand, the same vehicle may be subject to different tax treatment depending on its date of registration! It is therefore essential to distinguish between the following cases:

- **Existing contracts or contracts signed up to 31 December 2019** with a vehicle put into circulation during the year 2020 will continue to be taxed on the basis of NEDC values throughout the leasing contract.
- For cars ordered and registered in 2020, **the benefit in kind was calculated with the NEDC values in 2020. As of 2021, it will be calculated with the WLTP values.**
- For all vehicles registered as of 1 January 2021, the benefit in kind is calculated with the WLTP values.
- If a leasing contract signed after 31 December 2016 is extended beyond 31 December 2020, **the benefit in kind to be considered is based on the WLTP standards for the remaining months as of 1 January 2021.** This applies on condition that the WLTP value is indicated in the certificate of conformity (COC).

Change	Situation	In force as of	Vehicles concerned	Standards used
	1	01/01/2020	Orders 2019 / Registration in 2020	NEDC until the initial end of the contract
	2	01/01/2020	Orders 2020 / Registration in 2020	NEDC in 2020 / WLTP in 2021 *

Benefit in kind	3	01/01/2021	All new registrations	WLTP
	4	01/01/2021	Contracts signed as of 01/01/2017 with extension of the initial period after 31/12/2020	WLTP over the extended period (if registered on the COC) *

** In these situations, the employer must be particularly vigilant and act since the amount of the benefit in kind may have to be changed on the basis of the new WLTP standard.*

IV. New developments for the 2021 tax cards

Two new allowances will appear on the tax cards as of this year. Furthermore, the first electronic cards will appear.

New allowances

Two new allowances will appear on the tax cards as of this year:

- Flat rate for obtaining the card (€540)
- Flat rate for special expenses (€480)

These allowances are entered automatically in the tax forms of the taxpayers who are entitled to them. It should be noted that no request to register these allowances is provided.

Electronic and multi-year card

During 2021, Inland Revenue will put in place a secure platform so that employers can access the tax withholding forms of their employees. We will therefore continue to receive paper tax forms this year.

Then, as of 2022, employers will be required to consult this platform, and it will no longer be necessary for employees to submit paper documents to their employer.

The tax withholding forms will also become multiannual. They will thus remain valid from year to year, provided that there is no change in the employee's situation.

V. Derogations following the covering of costs for COVID-19

In view of the spread of the virus and the increasing numbers in quarantine/isolation, it was decided that the Employers' Mutual Insurance would reimburse such incapacity for work fully (100%) and that the protection of employees affected by these measures would be extended.

Reimbursement by the mutual insurance

Due to the COVID-19 pandemic, absences due to quarantine or isolation are frequent. This situation has a financial impact on employers as well as on the self-employed, particularly due to the continued payment of salaries when employees are incapacitated for work.

In order to support employers and the self-employed, the Employers' Mutual Insurance covers the **full** reimbursement for periods of incapacity for work corresponding to a **quarantine or isolation measure** ordered by the health manager or his or her representative. The rate of reimbursement increases in such a case from 80% to 100%.

This measure has been applied **retroactively since 1 July 2020**.

Protection against dismissal

In principle, an employee who is unable to work must notify his or her employer on the first day of his or her absence and submit a medical certificate by the 3rd day at the latest. In view of the sharp rise in infections, it sometimes takes longer before an employee gets the quarantine or isolation order that is equivalent to a medical certificate. In the event of delay due to the transmission of orders, however, the 3-day period provided under Article L 121-6 of the Labour Code cannot be met by the employee, which deprives him or her of the protection against dismissal for a certain period of time.

Consequently, by derogation to this article, an employee who is unable to work due to quarantine or isolation now has **8 days** to submit his or her order to his or her employer.

VI. Abrogation of two Inland Revenue circulars: stock options and impatriates

In a newsletter of 14 December 2020, Inland Revenue announced the abrogation of two LIR [Income Tax Code] circulars concerning "impatriates" and "Stock option plans"

❖ LIR circular n° 95/2 on the tax framework of expenses and charges relating to the hiring of employees on the international labour market known as "impatriates."

Up to now, the favourable taxation regime applicable to impatriates was governed by LIR circular n° 95/2 of January 2014. This circular has just been repealed.

From now on, this regime is included in the tax code itself, in Article 115, (13) b of the Income Tax Code, and has been amended, in particular as regards:

- the conditions of application: **increase in the minimum remuneration** of the impatriate from €50,000 to **€100,000 per year** (fixed annual remuneration exclusive of benefits and bonuses);
- the lump-sum compensation to cover the cost of living differential is replaced by an **"impatriation bonus,"** which benefits from a 50% exemption provided that its amount does not exceed 30% of the impatriate's fixed annual remuneration exclusive of benefits and bonuses;

- the **period of application of the scheme** has been extended from 5 to **8 years** (in addition to the year of arrival).

It should be noted that circular 95/2 of January 2014 continues to apply, however, within the limits and under the conditions set out therein and provided that the employees concerned do not benefit from the new provisions of the Tax Code, to impatriates who took up their duties in Luxembourg in the years 2016 to 2020.

❖ Circular n°104/2 of 29 November 2017 relating to the tax regime for stock options.

The tax regime for stock options and warrants, as regulated by LIR circular n°104/2 of 29 November 2017, is abrogated as of tax year 2021.

In parallel, the Tax Code now provides a possibility for employers to grant their employees a **profit-sharing bonus**. This bonus may be tax-exempt up to 50% if the following conditions are met:

- The employer must make a profit and the total amount of the bonuses must not exceed **5% of said profits**. These conditions are assessed for the year preceding the year in which the bonus is paid.
- The employee must be affiliated with a social security scheme **and the exemption of the bonus is limited to 25%** of his or her annual remuneration (exclusive of benefits and bonuses).

VII. Apprenticeship bonus

In order to mitigate the impact of the health crisis on the economic fabric and in particular on young people in training, the government decided to support the integration of young people in vocational training. To that end, the Act of 15 December 2020 provides for the introduction of a single bonus to promote apprenticeship.

Amount of the bonus:

The bonus will take the form of a **one-off lump-sum grant** per apprenticeship contract, **tax-free**, of:

- €1,500 for any apprenticeship contract in progress on 15 July 2020;
- €3,000 for any new apprenticeship contract concluded as of 16 July 2020;
- €5,000 for any resumption of an apprenticeship contract terminated since 24 June 2020 pursuant to Article L. 111-3 (4) of the Labour Code.

In the first 2 cases, the bonus may be increased by €1,500 per contract if, at the time of the request, the training organization has a number of apprentices greater than or equal to the average annual number of apprentices taken on over the last three years.

Conditions for obtaining the bonus:

The one-off bonus may be granted to training organizations that meet the following eligibility criteria:

- Have the status of a “training organization,” i.e. any natural or legal person that offers an apprenticeship and is entitled to train;
- Have the right to train on the day that the one-off bonus is applied for;
- Provide proof that the apprenticeship contract has been concluded and the trial period has been completed.
- Submit a certificate of affiliation of the apprentice to the Joint Social Security Centre.
- If a previous apprenticeship contract is resumed, the apprentice must not have been the resumed more two such apprenticeships since 24 June 2020.

It should be noted that a company that has not yet trained an apprentice may take steps in the short term with the relevant professional chambers concerned to obtain the right to train.

Training bodies that are subject to bankruptcy proceedings at the time of application are not eligible.

To qualify for the bonus, the training organization must file a written application with the competent minister by **15 July 2021 at the latest**.

VIII. New rules concerning leave for family reasons in the context of the covid-19 pandemic

Following the latest measures taken by the government in the education sector, the right to leave for family reasons has been extended to parents whose children cannot attend school or an education and care facility for reasons to do with the current health crisis and who are being educated from a distance.

As part of the measures implemented in school and childcare facilities to combat the spread of the coronavirus, a child may have to be placed in quarantine or isolation by **order or recommendation** of the Health Department or competent authority.

To reduce the risk of the virus spreading, and depending on the number of infections, particularly in view of the increase thereof in these last weeks, it may also prove necessary to **suspend fully or partially** the activities of **educational and care institutions (educational and care services, mini-crèches and parental assistants)**.

In this context, a **specific procedure has been put in place until 2 April** inclusive to enable one of the parents to benefit from the extended leave for family reasons.

This applies to any parent (employee, self-employed or apprentice) affiliated in Luxembourg who is responsible for:

- A child who is vulnerable to COVID-19; **or**

- **born before 1 September 2016 and under 13 years of age or who has not left the basic education system** and cannot attend the school or education and care facility, or who benefits from distance education; **or**
- **born after 1 September 2016**, who cannot attend a childcare facility provided that it also cares for young children; **or**
- **less than 13 years of age** under a quarantine or isolation measure decided or recommended by the Health Directorate (Direction de la Santé); **or**
- **between 13 and 18 years of age and hospitalised** under a quarantine or isolation measure decided or recommended by the Health Directorate.

The parent who takes leave for family reasons must **inform his or her employer as soon as possible, orally or in writing, and indicate the start and end of the leave.**

The parent must then complete the **NEW form** for leave for family reasons relating to the COVID-19 pandemic, sign it and send it to the National Health Fund and to his or her employer, attaching:

- The supporting documents issued by the Health Department in the context of a quarantine or isolation measure concerning a child; or
- A medical certificate attesting to the vulnerability of the child; or
- A certificate issued by the Minister for National Education, Childhood and Youth.

For **children residing abroad** but whose parents are affiliated with Luxembourg, it is the **competent authority of the country** in question that recommends or decides about quarantine or isolation. It must then issue a certification or affidavit of said decision or recommendation. As in the case of educational establishments and facilities located abroad, the competent national authority of the country has to issue an official document.

The employee must then **send the form and the required document to the National Health Fund** by post or email.

For more information, please consult our FAQ Coronavirus: <https://securex.lu/>

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