



## **The rental allocation : the new tax-free allocation within certain limits and conditions !**

As of June 1, 2024, employers now have another way to attract young talent through a new tax incentive!

The latest addition to Article 115 of the income tax law? The rental allocation !

In practice ? Employers can now provide a **monthly allocation to a young employee who rents their primary residence.**

**However, to qualify, certain conditions must be met:**

- The allocation amount is limited to the rent paid by the employee (excluding charges) ;
- The maximum bonus is €1,000 ;
- The tax exemption is 25% of the bonus amount (minus social security contributions' part) ;
- The employee must be under 30 years old at the beginning of the tax year ;
- The gross annual salary, excluding the rental bonus, must not exceed 30 times the Social Minimum Wage (SMW for skilled workers), currently €92,553.30 (index 944.43). In case of an incomplete year, the employer must extrapolate the salary to a full year to verify the threshold.

Additionally, if the employee works part-time or has incomplete months based on hours reported to the CCSS, the allocation ceiling must be prorated.

Furthermore, in the case of tax split (i.e., when the taxable salary is divided between different countries where the employee works), the exemption should be allocated based on the days worked and taxable in Luxembourg and the days worked abroad during the month of allocation payment.

Finally, it is the employer's responsibility to verify that the conditions for exemption are met before making the payment.

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