



Note

We summarised here the 2 principal scenarios that are (i) a primary residence acquisition and (ii) a buy-to-let investment. Buy-to-let investment through a Société Civile Immobilière will have the same tax effects as direct ownership. For individual foreign investors/residents, taxes on Luxembourg-based buy-to-let investment (including rental income and capital gain) will be levied in Luxembourg on similar principles as for resident taxpayers (which are further explained below). In most cases, double tax treaties will avoid double taxation (i.e. additional taxation in the investor's residence country).

Tax Type	Primary Residence	Buy-to-Let (Investment)
<p>VAT</p>	<p>Existing home acquisition</p> <ul style="list-style-type: none"> • Tax-exempt <p>New home (off-plan or "VEFA") acquisition</p> <ul style="list-style-type: none"> • 3% on the construction part up to €357,143 and 17% above – land part is tax exempt (generally accounts for +/- 35% of home price) • The €50,000 tax advantage resulting from the 3% application must be reimbursed in case the home is not allocated to a primary residence during the first 2 years after completion (also applicable if you sell the property and consecutive allocation is not for primary residence!) 	<p>Existing home acquisition</p> <ul style="list-style-type: none"> • Tax-exempt <p>New home (off-plan or "VEFA") acquisition</p> <ul style="list-style-type: none"> • 17% on the construction part – land part is tax-exempt (generally accounts for +/- 35% of home price)
<p>Stamp Duty</p>	<p>Home acquisition</p> <ul style="list-style-type: none"> • 6% registration duties + 1% transcription duties • Only applies on the land part for new home (off-plan or "VEFA") • A €20,000 tax credit per person is however deductible (€40,000 for jointly tax payers) on home acquisition stamp duty (provision called "Bëllegen Akt") • If the available tax credit exceeds the normal stamp duty, a minimum €100 stamp duty remains payable • If not fully used on a first acquisition, the tax credit can be used on a consecutive home acquisition • In case the purchase homed is rented or sold within 2 years, the tax benefit from the tax credit application must be reimbursed <p>Mortgage</p> <ul style="list-style-type: none"> • 0.24% registration duties + 0.05% inscription duties (calculated on mortgage amount) 	<p>Home acquisition</p> <ul style="list-style-type: none"> • 6% registration duties + 1% transcription duties • Only applies on the land part for new home (off-plan or "VEFA") • Possibility to declare acquisition in view of resale and opt for specific resale scheme: <ul style="list-style-type: none"> - Upfront 7.2% registration duties (instead of 6%) + 1% transcription duties (unchanged) - 6% registration duties reimbursement in case of resale within 2 years (resulting in net stamp duty of 2.2%) - 4.8% registration duties reimbursement in case of resale between 2 and 4 years (resulting in net stamp duty of 3.4%) <p>Mortgage</p> <ul style="list-style-type: none"> • 0.24% registration duties + 0.05% inscription duties (calculated on mortgage amount)



Tax Type

Primary Residence

Buy-to-Let (Investment)

Income Tax



Income and deductions in this section apply on marginal income tax rate (i.e. max 43.6%)

Tax-exempt interest free (or reduced rate) mortgage from an employer / interest subsidy by the employer

- Loans granted by employers at an interest rate below 1.5% (rate applicable in 2015) generate a taxable fringe benefit. The taxable benefit corresponds to the difference between the 1.5% rate and the discounted interest rate
- Interest subsidy applies when the employer provides financial support in connection with a mortgage that the employee has with a third-party bank. Usually the interest subsidy is paid to the employee out of his/her annual bonus
- The above benefits are tax-exempt up to €3,000 (doubled to €6,000 for jointly tax payers and single tax payers with dependent children)

Deductible mortgage interest

Interest paid on a mortgage loan (excluding any potential tax-exempt interest subsidy) is deductible with the application of the following ceilings:

- € 2,000 per person in the household (including dependent children) for the first 6 years
- € 1,500 per person in the household (including dependent children) for the next 5 years
- € 1,000 per person in the household (including dependent children) for the following years

Deductible mortgage insurance - Single premium

- Base deductible: €6,000 per taxpayer + €1,200 per child
- Increase of base deductible by 8% per year for taxpayers above 30 years in age (with a maximum 160% increase of base deductible)

Deductible mortgage Insurance - Annual premium

- Collectively deductible with other insurance premiums (e.g. life, death, disability, accident, sickness, civil liability) and interests on loans other than mortgage loans up to €672 per person in the household (including dependent children)

Net Rental Income

- Net rental income equals the gross rental income less deductible expenses
- Gross rental income equals the rent paid by the tenant
- Deductible expenses are these supported by the landlord and include:
 - Interest and charges linked to the financing of the property (including mortgage stamp duty and notary fees)
 - Property management charges
 - Property taxes
 - Communal charges
 - Maintenance and repairs
 - Insurance premiums
 - Property depreciation
- Buy-to-let properties are depreciable using the straight-line method. The depreciable acquisition price excludes the value of land and includes the stamp duty, notary fees and other charges on the property acquisition (if no split is made in the deed of sale, the value of land is assumed to be 20% of the acquisition price)
- Depreciation rates are based on the year of completion of the property and as follows:
 - 6% per annum for the first 6 years
 - 2% for the next 54 years
 - 3% after 60 years
- When net rental income is negative, the negative net rental income is deductible against other taxable income of the (jointly) tax payer(s) (such as employment income)



Tax Type	Primary Residence	Buy-to-Let (Investment)
<p>Property Tax</p>	<ul style="list-style-type: none"> • Calculated on the basis of the home unitary value determined by the Luxembourg tax authorities • Property tax rate varies from one municipality to another • Property tax is usually minimal (e.g. +/- €150 for a €500,000 apartment in Luxembourg city) 	<ul style="list-style-type: none"> • Calculated on the basis of the home unitary value determined by the Luxembourg tax authorities • Property tax rate varies from one municipality to another • Property tax is usually minimal (e.g. +/- €150 for a €500,000 apartment in Luxembourg city)
<p>Capital Gain</p>	<ul style="list-style-type: none"> • Tax-exempt • For clarification purpose, capital gain tax-exemption is applicable when:: <ol style="list-style-type: none"> a) The tax payer occupies the home when the sale occurs and the home constitutes the primary residence since acquisition or completion; or b) The tax payer occupies the home when the sale occurs and the home constitutes the primary residence of the tax payer for the 5 years preceding the sale (e.g. if the tax payer rented the home before using it as primary residence); or c) The tax payer occupies the home when the sale occurs, the home constitutes the primary residence and the home is sold for family reasons (marriage, divorce, birth, etc.) or professional reasons (change of residence) (e.g. if the tax payer rented the home before using it as primary residence but the tax payer is obliged to move for professional reasons); or d) In case of a.,b., and c. above when the sale occurs the following year of the occupier move into a new primary residence; or e) The tax payer does not occupy the home when the sale occurs, is not owner-occupier of another home and moved from this home for family reasons (marriage, divorce, birth, etc.) or professional reasons (change of residence) (e.g. if the tax payer moved from his home to rent a bigger place following the birth of twins) 	<p>Short-term (speculative) gain</p> <ul style="list-style-type: none"> • Applies when the property is sold up to 2 years after acquisition • Corresponds to the difference between the sale proceeds (excluding the agency fee or energy pass fee) and the acquisition price (including the stamp duty, notary fees and other charges on the property acquisition price) • Taxed at (full) marginal income tax rate (i.e. maximum 45.78%) with no deduction applying <p>Long-term gain</p> <ul style="list-style-type: none"> • Applies when the property is sold more than 2 years after acquisition • Corresponds to the difference between the sale proceeds (excluding the agency fee or energy pass fee) and the re-valued acquisition price (including the stamp duty, notary fees and other charges on the property acquisition price) • The revaluation factor is determined by the tax administration depending on the holding period of the property • A lump-sum deduction of €50,000 for single tax payer and €100,000 for jointly tax payers apply every 10 years • If the lump-sum deduction is not fully used within the 10 years period, it can be used on a subsequent long-term capital gain • Taxed at half the global income tax rate (i.e. maximum 22.89%)

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