

5. TAXATION



Companies in Luxembourg are subject to corporate tax and have to apply value added tax (VAT) to their products and services. Individuals are taxed based on their personal situation.

CORPORATE TAX LAW

The [corporate income tax](#) has been set in 2020 between 15 and 17% depending on the company's profit according to the commercial balance sheet. An additional charge of 7% is levied on corporate income tax as a contribution to the employment fund. A communal business tax between 6% and 12%, depending on the municipality, applies to corporate companies.

In addition, companies need to pay a net wealth tax based on the total assets and structure of the balance sheet ranging from €535 to €32,100 per year (the wealth tax is not applied to sole proprietorship).

LUXEMBOURG VAT RATES

The standard [VAT rate](#) applicable to the provision of services in Luxembourg is at 17%. It is the **lowest in the European Union**.

Companies that are subject to VAT need to make an initial declaration to the Indirect Tax Authority in order to receive a [VAT identification number](#).

PERSONAL INCOME TAX RATE

Workers in Luxembourg are granted a tax class based on their personal situation. The three tax classes are as follows:

Class 1:

- married taxpayers who have opted for separate taxation;
- single people;
- some married non-resident taxpayers;

Class 1a:

- people aged at least 65;
- single parents with a dependent child;

Class 2:

- married taxpayers;
- widowed taxpayers (for the first three years after the death of the spouse);
- divorced or separated people (for the first three years);
- civil partners;
- some married non-resident taxpayers.

Luxembourg's [income tax rate](#) for natural persons is **one of the lowest in Europe**, particularly for couples. Income tax is based on **23 tax brackets** and the highest marginal tax rate amounts to 42% since 2017.

According to the OECD, a married couple with two children and two salaries (100% and 67% of the average salary, respectively) will be taxed at a total rate – including social security contributions – of 26%.