

NEWSLETTER

Dear clients,

after too many months of winter it seems as if mother nature is finally waking up again and the first crocus are showing their tiny heads. One can sense the coming of spring and we would like to provide you with new ideas as well as prepare you and your company for imminent changes:

Taxation of cross border commuters

Negotiations between German and Luxemburg tax authorities on how to tax employees living outside of Luxemburg and working outside of Luxemburg from time to time continue. German tax authorities insist that any professional activity outside of Luxemburg and even sick days should be taxed in Germany while Luxemburg holds the view that these salaries have to be taxed in

the employer's country of residence. In this rather unfortunate situation we advise you to make sure that all your employee's appointments outside Luxemburg are well documented. Once the two countries have determined what is to be done about this question we will get in touch and explain what needs to be done.

(Katharina von Randow)

Tax advantages in recruiting foreign highly qualified staff

Since it's become more and more difficult to recruit highly qualified staff in Luxemburg a number of tax advantages have been introduced at the beginning of the year to make Luxemburg even more attractive for foreign management. Under certain conditions detached employees can pass on a whole range of costs onto their employer who in turn can declare these as expenses. This

scheme is especially interesting for employees usually working abroad who are being detached to a Luxemburg based company. This also applies for employees who have been hired to work for a certain period of time for them in Luxemburg. We'd be quite happy to advise you on the conditions of this scheme.

(Katharina von Randow)

New tax classes for single parenting cross – border commuters

Quite a number of single cross border commuters with children will have been astonished to find out that their tax classes have changed from 1a to 1 on the new 2011 tax cards. The reason for this is a new regulation on family allowances and children's bonus which are no longer being granted for children older than 18. It is however, possible to ask for a tax refund for children entitled to

maintenance and thus regain the tax class 1a. This tax refund can be granted for children under 21 or above 21 when the child is still at school or at university as long as the child still lives with the single parent. In order to arrange for your tax class being changed please provide us with a school certificate and a household certificate.

(Katharina von Randow)

Tax credits for investments in Luxemburg

Until recently tax credits of 10 % would have been granted on all additional investments made during the course of a financial year. According to Luxemburg tax laws this used to be the case as long as the investments were being made premises in Luxemburg and were also meant to remain there. It was necessary to show that these investments were being

done on Luxemburg's territory. However, the European Court of Justice has held now that these rules violate EU law and therefore must be amended accordingly. We will get in touch with you as soon as it is known how this ruling on tax credits will be implemented.

(Katharina von Randow)

Dear clients,

We look confidently forward to an economically vibrant springtime as well as to continue to work closely together with you.

All the best,

Yours,

Alhard von Ketelhodt

Luxemburg, March 2011