

NEWSLETTER

Dear clients,

Summer is around the corner and we are looking forward to warm temperatures, sunshine and balmy summer nights. Before you go on holidays we would like to inform you about the latest legal and tax developments.

How to avoid to get booked or sent off

At long last, the long wait comes to an end. Football's coming home - finally. To avoid potential misunderstandings you might want to explain some things to your employees in advance.

Even though quite a number of games take place during working hours this is not sufficient reason not to work. Football remains a private amusement. No employee is allowed to leave his office without a (really) good reason.

However, this doesn't mean to declare the office to be a footy-free zone.

If the employer hasn't categorically ruled out any private use of the internet fans are allowed to check the results of group matches occasionally. The same applies if employees are allowed to listen to the radio in the office

– as long as their capacity to work isn't hindered too badly. (However, it might be somewhat difficult to ensure that during the last five minutes of an exciting match).

Having a good eye for proportion might also help in choosing the appropriate dress for work. As long as an employee doesn't have appointments with clients there's no reason why he shouldn't wear his favourite's jersey.

Too much of the booze might turn into a problem though. An employee is certainly has to be fit for work next morning. If someone still smells like a brewery you can send him home again.

And what happens if you would like to order your employees to work extra time in the four weeks to come? That would be bad luck for the employees – even during the finals.

In the end all depends on the good will of all parties involved. In this context we would like to pass on a nice little story. Staff at the British factory Aston Martin asked their management if they might watch the matches of their national team. Ende kommt es auf den guten Willen auf beiden Seiten an. Dazu war kürzlich eine hübsche Geschichte zu lesen. Die Belegschaft der Sportwagenmanufaktur Aston Martin in Großbritannien hatte die Geschäftsleitung gebeten, die Spiele der englischen

Nationalmannschaft sehen zu dürfen. Hours missed would have been compensated and the english management didn't mind. However, few days before the tournament Aston Martin's american parent company Ford decided against it. Since there wouldn't be any soccer breaks scheduled in the US the English staff wasn't allowed to watch the matches either. This is supposed to not have raised the spirits. Nowadays Aston Martin doesn't belong to Ford any more. Apparently for different reasons. (Katharina von Randow)

Index – yes, no or maybe?

Indexed salaries are a basic foundation for social wellbeing in Luxemburg. This means that salaries will be raised automatically according to the cost of living. Once the cost of living has significantly risen the employers are obliged to adapt the salaries accordingly.

Any violation against this law can be prosecuted.

However, the state has recently introduced an exception to the rule. Salaries of employees

dispatched to Luxemburg are no longer being indexed as long as they surpass Luxemburg's minimum wage. Which will be the rule when someone is being dispatched abroad.

For all the others the new index will be announced by STATEC within the coming days.

(Katharina von Randow)

Tax – up date

Luxemburg's Prime Minister has recently given his annual state of the nation address during which he announced a number of measures to be adapted in the coming weeks by his government. We would like to introduce those which will have a direct implication for the taxes you have to pay.

1. The maximum tax rate will rise up to 39 %. In addition a crisis tax of 0,8 % will have to be paid. Solidarity tax will rise for incomes of up to 300.000 € from 2.5 % to 4 % and for higher incomes to 6 %. In combination with long term care insurance of 1.4 % this will lead to an amount of fiscal charges of maximum 43.58 %.
2. Returns on interests from banks for individuals living in Luxembourg will be subjected to a tax at source of 10 %. Add to that the crisis tax of 0.8 % and solidarity tax of 4 % or 6 % and returns on investments might be taxed with 12,85 % at maximum.
3. Revenue of individuals living in Luxembourg stemming from dividends will be subjected to tax at source of 15 %. For dividends taxes (including solidarity, crisis and long term care insurance) come up to a total of 18.148 %.
4. The current corporate income tax will not change for corporations while the

solidarity tax will rise from 4 % to 5 % calculated on the basis of the tax burden. Venture capital companies and other company lacking commercial purpose will be flat-rate taxed.

Luxembourg has ratified a number of international tax treaties in the law of 31.03.2010 and it has introduced a procedure to exchange information on request. The double tax treaties with Azerbaijan, United Arab Emirates, Georgian Republic, India and Moldavia have come into force.

As already mentioned in an earlier newsletter applications for a refund of VAT that has been paid abroad have to be made via the internet and in the country of origin from now on. We are quite happy to provide you with further information and would first of all like to direct your attention to the website of the VAT administration. The link is <http://www.aed.public.lu/vatrefund/>. There you'll find explanations on the procedure and the details that have to be adhered to in order to receive a VAT refund from another EU country. (Benoit Servais)

The (hidden) desirability of middle-aged unemployed people

Government is planning a range of measures to fight the rising unemployment numbers. Unemployed people are to register with ADEM as soon as they know about the termination of their old employment, even before the end of the period of cancellation. ADEM hopes to help them find a new employment straight away.

Until recently people over fifty were entitled to a longer period of unemployment benefits. This age limit has been brought down to those with 45 years now.

In this context it might be interesting to note that employers can expect a veritable endorsement to employ middle-aged unemployed people. When you are someone over 45 years of age the social security contributions will be reimbursed by the state. This means that you can get a lot of experience and skill for relatively little money. Provided this person was unemployed for at least one month. Please talk to us if that sounds interesting.

(Katharina von Randow)

Dear clients,

Have a nice holiday, good humored clients and a lively business. We will be available as usual and look forward to hearing from you.

All the best

Yours,

Alhard von Ketelhodt

Luxembourg, Juni 2010