

Report Part Title: Luxembourg

Report Title: A Study of European Land Tax Systems

Report Subtitle: Second Year Report

Report Author(s): P.K. Brown and M.A. Hepworth

Published by: Lincoln Institute of Land Policy (2002)

Stable URL: <https://www.jstor.org/stable/resrep18546.33>

---

JSTOR is a not-for-profit service that helps scholars, researchers, and students discover, use, and build upon a wide range of content in a trusted digital archive. We use information technology and tools to increase productivity and facilitate new forms of scholarship. For more information about JSTOR, please contact [support@jstor.org](mailto:support@jstor.org).

Your use of the JSTOR archive indicates your acceptance of the Terms & Conditions of Use, available at <https://about.jstor.org/terms>



JSTOR

*Lincoln Institute of Land Policy* is collaborating with JSTOR to digitize, preserve and extend access to this content.

## 31 Luxembourg

### 31.1 Government Organisation and Structure

Luxembourg operates a two tier system of government as follows:

- The State
- The Municipalities

The statutory basis of the local government in is laid down in a law of 1843, regarding municipal and district organisation, and several articles in the amended Constitution of 1868. This legislation has been supplemented by various laws and decrees, where the most recent laws aim at meeting the requirements for democracy, efficiency and local autonomy in modern government.

By the revision of the Municipal Law in 1988, central government control over the municipalities became less extensive, and the municipalities were given the right to bring central government decisions concerning local government before the Court.

The basic unit of local government is the municipalities. There are 118 municipalities in Luxembourg. For administrative purposes the country is divided into three districts, each of which is headed by a commissioner appointed by the central government. This official has no executive powers, his main function being to serve as a liaison between the central government and the municipalities.

The overall political leadership of the 118 municipalities is exercised by a municipal council. The responsibilities of the council cover all aspects of local administration, including the passing of budgets, approval of policy regulations, appointment of local staff and overall provision and organisation of public services, etc.

The main areas of responsibility are supply services such as

- the water supply,
- cleaning of municipal roads and buildings,
- sewerage and waste-water treatment,
- fire service and for
- municipal safety arrangements (traffic, buildings etc.)..

Some social activities such as nurseries, kindergartens, care of the elderly and old people's homes are carried out by the municipalities. The municipalities can also choose to provide various forms of cultural and leisure activities such as libraries, theatres, museums etc., but are responsible for the establishment and maintenance of municipal sports facilities.

The municipalities have some responsibility for the provision of pre-school arrangements and primary school education. However, the direct responsibility for educational establishments is shared between central government, the municipalities and private organisations.

### 31.2 Local Government Finance

The main sources of local government finance are:

- General Grants 31%
- Specific grants 4%
- Local Taxes 34% of which property taxes account for 5% of total local revenue with the Trade Tax making up the remaining 95%.
- Charges 31%

### 31.3 Inheritance Tax

#### *Droits De Succession*

#### 31.3.1 Statutory Provision

The tax is levied under the provisions of the Law of 27<sup>th</sup> December 1817 as amended.

#### 31.3.2 Purpose of the tax;

The tax is a tax on the inheritance of property.

#### 31.3.3 How the tax base is set or established;

Returns are made by the taxpayer on inheritance of property.

#### 31.3.4 Basis of valuation for tax purposes;

Market value of the property as at the date of death.

#### 31.3.5 Frequency of review of tax base;

Not applicable.

#### 31.3.6 Nature of any exemptions or reliefs for classes of taxpayer;

Any inheritance to direct descendants or any spouse is exempt.

The first LUF 50,000 is exempt.

#### 31.3.7 Challenges to tax base, valuation or assessment;

No information available.

#### 31.3.8 Nature of taxpayer;

All residents of Luxembourg and non residents on property in Luxembourg

#### 31.3.9 Amount of tax;

The tax rate varies between 2.5% and 15%

#### 31.3.10 Frequency of payment;

Single payment.

#### 31.3.11 Purpose to which tax is put;

The tax is the revenue of the state and not assigned to a specific use.

#### 31.3.12 Identification of tax collector;

State Tax Authority.

### **31.4 Registration Duty**

#### ***Droits d'enregistrement***

31.4.1 Statutory Provisions

The tax is levied under the provisions of the Laws of 23<sup>rd</sup> December 1913 and 7<sup>th</sup> August 1920 as amended.

31.4.2 Purpose of the tax:

The tax is a tax on the registration of property and certain securities.

31.4.3 How the tax base is set or established:

The tax becomes payable when documents are submitted for registration.

31.4.4 Basis of valuation for tax purposes:

The open market value of property.

31.4.5 Frequency of review of tax base:

Not applicable.

31.4.6 Nature of any exemptions or reliefs for classes of taxpayer:

None

31.4.7 Challenges to tax base, valuation or assessment:

No information available.

31.4.8 Nature of taxpayer:

The purchaser of the property (or securities)

31.4.9 Amount of tax:

6%.

In cases of bankruptcy and some rural property the rate is reduced to 1.2%.

For low cost housing the rate is LUF 500.

31.4.10 Frequency of payment:

Single payment made on registration of the property transfer.

31.4.11 Purpose to which tax is put:

Revenues are not allocated to a specific purpose.

31.4.12 Identification of tax collector:

State tax authority.

## 31.5 Tax On Land And Buildings

### *Impot Foncier*

#### 31.5.1 Statutory Provisions

The tax is levied under the provisions of the Law on land and buildings of 1<sup>st</sup> December 1936 as amended.

#### 31.5.2 Purpose of the tax:

The tax is an annual tax on all land and buildings within a municipality.

#### 31.5.3 How the tax base is set or established:

No information available.

#### 31.5.4 Basis of valuation for tax purposes:

All land and property is valued as prescribed by the valuation law to what is described as “standard value”, essentially the market value of the property.

#### 31.5.5 Frequency of review of tax base:

No information available.

#### 31.5.6 Nature of any exemptions or reliefs for classes of taxpayer:

Exemptions include:

- Real estate belonging to public corporations
- Real estate used by charitable, sporting, religious or scientific purposes
- Hospitals
- Public roads and waterways
- Cemeteries
- Diplomatic property

#### 31.5.7 Challenges to tax base, valuation or assessment:

No information available.

#### 31.5.8 Nature of taxpayer:

The owner of the land or buildings.

#### 31.5.9 Amount of tax:

The tax is calculated by first taking between 7% and 10% of the assessed “standard rate” depending on the type of property. To this value a multiplier ranging from 2 to 7.5 (depending on the type of building and fixed by the municipality) is applied.

For farms, the multiplier ranges between 2 and 5.

#### 31.5.10 Frequency of payment:

The frequency of payment will vary with the amount of the tax liable, being either annual, quarterly or monthly.

#### 31.5.11 Purpose to which tax is put:

The tax is used by the municipality as part of its revenue.

- 31.5.12 Identification of tax collector;  
The municipality.

### **31.6 Wealth Tax** ***Impot Sur La Fortune***

- 31.6.1 Statutory Provision  
The tax is levied under the provisions of the Wealth tax Law of 16<sup>th</sup> October 1934 as amended.
- 31.6.2 Purpose of the tax;  
The tax is a tax of the total wealth of persons and legal persons.
- 31.6.3 How the tax base is set or established;  
Taxpayers are required to make annual returns to the tax authorities. The tax is calculated on a three-year basis with an element being updated annually.
- 31.6.4 Basis of valuation for tax purposes;  
The market value of the assets less any outstanding debts and other liabilities.
- 31.6.5 Frequency of review of tax base;  
The base is updated every 3 years.
- 31.6.6 Nature of any exemptions or reliefs for classes of taxpayer;  
Certain organisations are exempt from the tax.  
  
Individual taxpayers are given a LUF 100,000 tax free allowance.
- 31.6.7 Challenges to tax base, valuation or assessment;  
No information available.
- 31.6.8 Nature of taxpayer;  
All persons and legal persons (except partnerships) having assets located in Luxembourg.
- 31.6.9 Amount of tax;  
0,5%
- 31.6.10 Frequency of payment;  
Quarterly.
- 31.6.11 Purpose to which tax is put;  
The tax is State revenue but not allocated for a specific purpose
- 31.6.12 Identification of tax collector;  
State Tax Authority

### **31.7 Other Taxes**

Other property related taxes, duties and levies include:

31.7.1 Stamp Duty (*Droit de timbre*)

This is charge on a wide range of legal documents and can typically range from LUF 75 to LUF 400. (See also Registration Duty).

31.7.2 Mortgage tax (*Droits d'hypothèque*)

This is a tax on the registration of a mortgage (or re-registration) with the rate being between 0.5% and 1% of the value.

31.7.3 Tax on licensed premises (*Taxe sur des debits de boissons alcooliques*)

A one of payment of between LUF 2,500 and LUF 10,000 is payable on opening a bar plus an annual tax ranging from LUF 1,000 to LUF 3,000 p.a..