KPMG

Film Financing and Television Programming

A Taxation Guide

For more than a decade, the KPMG Film Financing and Television Programming Taxation Guide has been recognized as a valued reference tool for industry professionals, filled with information drawn from the knowledge of the KPMG International global network of member firm media and entertainment Tax professionals. The 2022 edition is a fundamental resource for film and television producers, studio and streaming production executives, tax executives, finance executives, and attorneys, involved with the commercial side of production.

Doing business across borders can pose major challenges and may lead to potentially significant tax implications, and a detailed understanding of the full range of potential tax implications can be as essential as the actual financing of a project. The Guide helps industry executives assess the many issues surrounding cross-border business conditions, financing structures, and issues associated with them, including development costs and rules around foreign investment. Recognizing the role that tax credits, subsidies, and other government incentives play in production financing, the Guide includes a robust discussion of relevant tax incentive programs in each country.

Each chapter focuses on a single country and provides a description of commonly used financing structures, as well as their potential commercial and tax implications for the parties involved. Key sections in each chapter include:

Introduction
A thumbnail description of the country's industry contacts, regulatory bodies, and financing developments and trends.

Key Tax Facts
At-a-glance tables of corporate, personal, and value-added (VAT) tax rates; normal nontreaty withholding tax rates; and tax year-end information for companies and individuals.

Financing Structures
Descriptions of commonly used financing structures in production and distribution, and the potential commercial tax implications for the parties involved. This section of each chapter covers rules surrounding co-productions, partnerships, equity tracking shares, sales and leaseback, subsidiaries, and other tax-efficient structures.

Tax and Financial Incentives
Details regarding the tax and financial incentives available from central and local governments as they apply to investors, producers, distributors, and actors, as well as other types of incentives offered.

Luxembourg

Corporate Tax
Explanations of the corporate tax in the country, including definitions, rates, and how they are applied.

Personal Tax
Personal tax rules from the perspective of investors, producers, distributors, artists, and employees.

Streaming Tax Considerations
Provides a look at the unique tax issues that need to be addressed in this evolving segment of the industry. With considerations such as identifying tax collection and reporting obligations in a variety of jurisdictions, understanding international tax implications is essential for streaming providers.

KPMG and Member Firm Contacts
References to KPMG and other KPMG International member firms' contacts at the end of each chapter are provided as a resource for additional detailed information.

Please note: While every effort has been made to provide up-to-date information, tax laws around the world are constantly changing. Accordingly, the material contained in this publication should be viewed as a general guide only and should not be relied upon without consulting your KPMG or KPMG International member firm Tax advisor.

Production opportunities are not limited to the countries contained in this Guide. KPMG and the other KPMG International member firms are in the business of identifying early-stage emerging trends to assist clients in navigating new business opportunities. We encourage you to consult a KPMG or KPMG International member firm Tax professional to continue the conversation about potential approaches to critical tax and business issues facing the media and entertainment industry.

We look forward to helping you with your film and television production ambitions.

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Luxembourg

Introduction

Since the end of the 1990s, favorable legal measures and various mechanisms have been implemented in Luxembourg to support and encourage audiovisual production in Luxembourg, opening up co-production opportunities with other countries. Consequently, productions have multiplied in Luxembourg due to incentives, excellent technical infrastructure, and growing competence in the local production industry.

The National Fund for Audiovisual Production (the Fund) administers the different incentives available for the development of the audiovisual production sector in Luxembourg and provides selective financial aid (advance payments on receipts income) for the development, production, and international distribution of films.

Key Tax Facts

Corporate income tax rate	24.94%[1]
Highest personal income tax rate	45.78%[1]
VAT rates	3%, 8%, 14%, and 17%
Annual VAT registration threshold	EUR 35,000[2]
Normal nontreaty withholding tax rates: Dividends	15%/0%
Interest	0%
Royalties	0%
Tax year-end: Companies	Financial year-end
Tax year-end: Individuals	December 31

Film Financing

Financing Structures

Co-production

A Luxembourg resident investor may enter into a co-production joint venture (JV) with another nonresident investor to finance and produce a film in Luxembourg. The rights of exploitation may be divided among the JV partners.

The tax position of each investor has to be determined separately. In the absence of specific tax regulations applicable to the co-production of films, this determination is based on general tax law principles.

[1] Including a surcharge for unemployment contributions.

[2] For a nontaxable person, there is an annual threshold of EUR 10,000 for **intra-Community acquisitions** of goods.

An entity's tax status in Luxembourg depends on whether or not it has been legally incorporated. Corporations ("sociétés de capitaux") such as stock corporations (société anonyme – S.A), limited liability companies (société à responsabilité limitée – S.à.r.l), simplified shareholder company (société par action simplifiée – SAS) and partnerships limited by shares (société en commandite par actions – SCA) are treated as taxable entities and are subject to corporate income tax ("impôt sur le revenu des collectivités"), municipal business tax ("impôt commercial communal"), and net wealth tax ("impôt sur la fortune"). Other partnerships or tax-transparent entities are not taxable entities for corporate income tax and municipal business tax purposes. Each partner is subject to income tax on his or her respective profit share that he or she declares in his or her personal or corporate tax return. For municipal business tax purposes, however, different criteria are applied. Companies as well as partnerships, transparent entities, and associations are subject to tax directly if they exercise a business within the territory of Luxembourg.

A company is considered to be resident in Luxembourg if it maintains either its registered seat (as determined by its statutes) or its place of central management in Luxembourg. Conversely, a company is considered to be nonresident if it maintains neither its seat nor its place of central management in Luxembourg. Residence is significant for deciding whether worldwide income or only Luxembourg source income is taxed.

Companies that are considered residents of Luxembourg are subject to taxation on their worldwide income (unlimited tax liability), unless they benefit from an exemption under the terms of a double taxation treaty or domestic tax law.

Companies not resident in Luxembourg are subject to tax on income from sources in Luxembourg (limited tax liability), which includes:

- Business income derived from a permanent establishment[3] or permanent representative
- Profit from the exercise of an independent activity in Luxembourg
- Rental income from real estate or from rights located in Luxembourg or gains from the sale of real estate
- Gains from the sale of a substantial shareholding (10%) disposed of within a six-month period, in limited circumstances
- Certain categories of income where tax is withheld at the source.

If the JV's film production activities are performed as a company, the dividend distributions (return on equity investment) are, in the absence of tax treaties, subject to 15% withholding tax. The double tax treaties may in principle eliminate or reduce the taxation. Exemption of withholding tax is also available under the Luxembourg participation exemption.

There are no withholding taxes levied on interest and royalties paid to nonresident companies.

Partnership

Financial investors from several territories and the film producers may form a partnership located in Luxembourg. There are two types of tax-transparent partnerships in Luxembourg.

The limited partnership (société en commandite simple – SCS) is an entity which requires at least two partners, a general partner having unlimited liability, and a limited partner, liable only to the extent of the assets contributed by them in cash or in kind. The active partners are those who have unlimited liability and are entrusted with all powers relating to management.

[3] Specific transfer pricing requirements would apply in the case of income attributable to a permanent establishment, as well as to the methodology for identifying such income attributed to a permanent establishment.

The partnership (société en nom collectif – SNC) is a form of business organization under which the partners are jointly and severally liable for all commitments entered into in the name of the company. Shares are not normally transferable unless otherwise determined in the articles of incorporation. A SNC is a tax-transparent entity.

Each of the partners of a tax-transparent partnership is taxable in the relevant country of residence on its share of the results and according to the system applicable to the specific partner (i.e., personal or corporate income tax)[4].

Additionally, the partnership limited by shares (société en commandite par actions – SCA) is an organization whereby one or more persons with unlimited liability form a partnership with shareholders who are liable only for their contributions. The structure is similar to a limited partnership, except that the interest of the limited partners is represented by freely transferable shares. Unlike other partnership structures, a partnership limited by shares is not a transparent entity for tax purposes in Luxembourg.

Tax and Financial Incentives

Investors

In order to develop the audiovisual sector, the government has established selective financial aids to attract investors.

Luxembourg has created selective financial aid in order to promote cinematographic and audiovisual creation in Luxembourg and in order to encourage the development of the production, co-production, and distribution of works in this field. The following works are excluded from the benefit of selective financial aid:

- Works that are pornographic, incite violence or racial hatred, condone crimes against humanity, and infringe public order and morality
- Works intended or used for advertising purposes
- News programs, current affairs programs, or sport broadcasts.

Financial aid may be granted by the National Fund for Audiovisual Production to corporations or individuals and may take the form of aid to the production or co-production of films.

Such aid is considered as advance payment on receipt income and shall in principle be totally reimbursed. A Grand-Ducal Decree of March 16, 1999 establishes the conditions under which the financial aid may be obtained, the reimbursement conditions, and exceptions to this reimbursement requirement. To aid the audiovisual production sector during the COVID-19 outbreak, the Fund implemented new financial incentives that were available until December 31, 2020 and increased and/or waived selective financial aids to be granted and/or repaid by the beneficiaries respectively.

Other Financing Considerations

Net Wealth Tax (NWT)

Taxable base

The adjusted net asset value (the “unitary value”) of the company is determined with respect of the net wealth of the enterprise. This is based on the fair market value of both the assets and the liabilities of the firm, which are adjusted with certain exemptions (e.g., shareholdings qualifying for the participation exemption regime) and some specific valuations fixed by law (e.g., for buildings).

[4] Please note that this is the general principle. However, in case the taxpayer is resident in a country where Luxembourg has not concluded any double tax treaty, based on the article 156 of the LITL, this income may be taxable in Luxembourg.

Tax rate applicable

The NWT is based on the company's total net assets:

1) On the total net assets of up to EUR 500 million, the rate is 0.5%.

2) On the total net assets of more than EUR 500 million, the rate is 0.05%.

Tax reduction

The Luxembourg Law allows an NWT reduction under conditions (creation of a special reserve booked in the commercial accounts that equals five times the amount of the NWT due for a given fiscal year for which the reduction is requested and keeps the said special reserve during the following five years). The tax reduction is limited to the amount of the CIT liability before imputation of tax credits and cannot be lower than the minimum NWT due under the applicable NWT law.

Exchange Controls and Regulatory Rules

There are no specific exchange controls or other regulatory rules for commercial companies in Luxembourg.

Transfer pricing

Luxembourg taxpayers who are part of multinational enterprises need to ensure that their intragroup transactions are compliant with the arm's-length transaction principle. In this respect, Luxembourg duly adheres to the transfer pricing guidelines of the OECD, providing the arm's-length principle as the key tenet.

More specifically, Article 56 and 56bis of the Luxembourg Income Tax Law make explicit reference to the arm's-length principle as a standard for evaluating the conditions agreed between related parties for all their intragroup transactions. In this view, Luxembourg tax law does not make a distinction between cross-border and domestic intragroup transactions. Hence, in principle all intragroup transactions ought to be priced in accordance with the arm's-length principle and accordingly be supported by the appropriate transfer pricing documentation. In addition, §171 of the General Tax Law states that upon a request from the Luxembourg tax authorities, a taxpayer must be able to justify the financial information that appears in their tax return, including the prices charged between associated enterprises in the context of controlled transactions.

In addition, Circular L.I.R. n° 56/1 – 56bis/1 issued in 2016 provides further guidance regarding the transfer pricing rules for companies principally performing intragroup financing transactions, putting a strong emphasis on the analysis of the risks assumed by such companies. Notably, the Circular highlights the requirement for those companies to be able to demonstrate that they have the financial capacity (and thus sufficient capital) to assume the risks related to their intragroup financing activity and outlines certain substance requirements with which such companies need to comply in order to support their ability to control the risks.

Corporate Taxation

Recognition of Income

Taxable income is computed by comparing the net difference between assets and liabilities at the beginning and at the end of the financial year, adjusted for movements on capital accounts and certain nondeductible expenses or tax-free items.

Basically, all income received by a Luxembourg company is fully taxable, unless there is a specific provision to the contrary (e.g., dividends and capital gains benefiting from the Luxembourg participation exemption regime).

Expenses incurred in the normal course of business are deductible, unless there is a specific provision to the contrary (e.g., certain charitable contributions, bribery expenses, nondeductible taxes such as income tax and net wealth tax, and director fees). Other nondeductible expenses include expenses relating to tax-exempt income.

Amortization of Expenditure

Production Expenditure

Depreciation is, in general, allowed in the case of tangible or intangible fixed assets with useful lives of more than one year. Depreciation is based on the acquisition or production costs. Accepted methods are the straight-line method and the declining balance method (except for buildings and intangibles).

A taxpayer may change from the declining balance method to the straight-line method, but not vice versa. Rates under the declining balance method may not exceed three times the applicable straight-line rate, or 30%.

Other Expenditure

The rules for deduction or depreciation are the usual rules applicable to other companies.

Losses

For both corporate income tax and municipal business tax on profits purposes, net losses may be carried forward indefinitely and offset in future years against taxable income when incurred before financial year 2017. As from financial year 2017, net losses incurred can be carried forward for 17 years. The older net losses must be deducted first. No carryback is allowed.

Tax consolidation rules/Group relief rules

For corporate income tax and municipal business tax, the tax consolidation is available, but not for net wealth tax purposes.

Thin capitalization rules

In the absence of legal provisions on debt-to-equity ratio requirements, the Luxembourg tax authorities can request an analysis supporting the arm's length nature of the debt-to-equity ratio used in the transactions based on the general transfer pricing principles embedded in Luxembourg tax law and as a result of the OECD Transfer Pricing Guidance released in January 2022, which put special emphasis on debt and equity funding of the companies.

Anti-tax avoidance rules and EU Directives

Anti-tax avoidance rules (deriving from EU Directives, so-called ATAD rules) have been implemented in the Luxembourg tax legislation and contain five anti-tax avoidance rules: an interest limitation rule, a controlled foreign companies (CFC) rule, a hybrid mismatches rule (those three rules deriving from the OECD BEPS work), a general anti-abuse rule (GAAR), and provisions on exit taxation.

ATAD rules are intended to strengthen the average level of protection of member States against aggressive tax planning. Recent developments of the ATAD rules (ATAD 2) further complements and amends ATAD rules in order to include specific provisions targeting hybrid mismatches with third non-EU countries.

The ATAD provisions apply, inter alia, to all corporate taxpayers subject to corporate tax in a member States, including EU permanent establishment of entities resident in third non-EU countries, as well as to tax transparent entities in the context of reverse hybrids.

Foreign Tax Relief

Internal Rules

Relief is given against Luxembourg income tax on income (e.g., investment income, capital gains on the sale abroad of goods or shares in a company, and income arising from a salaried occupation, pension, interest, and annuities) that has been subjected to an equivalent tax abroad and which is not covered by a double taxation agreement. The foreign tax to be set off should first be added back to the taxable profit of which it forms a part; this tax should then become a tax credit up to a maximum amount, which is equivalent to the Luxembourg corporate income tax, which would be due on the foreign income in question.

Separate calculations are made for each country in which income arises (the per country method), and the maximum credit may not exceed the Luxembourg corporate income tax on the same portion of income.

It is possible, however, for an annual election to be made that substitutes an overall limitation for foreign interest and dividend income for the per country limitation. When such an election is made, credit relief for foreign taxes is additionally restricted to the lesser of:

- Twenty-five percent of the gross foreign income (on an item-by-item basis)
- Twenty percent of the Luxembourg corporate income tax on the total net taxable income.

The portion of foreign taxes not allowable as a credit (set-off) is deductible from Luxembourg income in computing Luxembourg tax.

The internal relief granted refers only to corporate income tax.

Double Tax Treaties

For a company resident in Luxembourg, relief may also be provided under the double taxation treaties concluded by Luxembourg with other countries. Typically, these treaties grant the right to tax the income either to the country of source or the country of residence, while they exempt the income from tax in the other state; or they provide relief from double tax burden by allowing a foreign tax credit.

In most treaties, the treatment of certain categories of income follows the OECD Model Convention, as outlined below:

- Business profits derived through a permanent establishment in the treaty country are, in general, exempt from tax in Luxembourg.
- Dividends paid to a Luxembourg company may be taxed in the other country at a reduced withholding rate of not more than 15%. The withholding tax can be credited against the Luxembourg tax liability. Alternatively, an exemption or a 0% tax for dividends paid to a Luxembourg company owning a substantial participation can be granted either under a relevant treaty provision or by the domestic participation exemption.
- Interest and royalties, unless they are attributable to a permanent establishment, are usually exempt from tax in the country of source and are taxable in Luxembourg, except that the source country may in certain cases impose a reduced withholding tax.
- Capital gains are, in most cases, taxed only in Luxembourg, unless in the presence of a land-rich clause or a permanent establishment in the other contracting state.

IP / R&D incentives

A new IP regime has been implemented in the Luxembourg tax law and follows the OECD nexus approach.

The new IP regime took effect from tax year 2018 and provides for an 80% tax exemption on net income derived from eligible patents and copyrighted software.

Qualifying IP assets are also exempt from net wealth tax.

Investment tax credit

In Luxembourg, investment tax credits are available for “supplementary investments” and “global investments.” Both types of tax credit are available for resident companies, provided that the qualifying investments are permanently located and are put to use in the European Economic Area (EEA).

Indirect Taxation

Value Added Tax (VAT)

General

Since Luxembourg is an EU Member State, the VAT system follows the principles laid out in the relevant EU Directives and, in particular, those of the Council Directive of November 28, 2006 (2006/112/CE).

Supply of a Completed Film

The VAT treatment applicable to the supply of a completed film depends on the qualification of the transaction for VAT purposes either as a supply of goods or as a supply of services. The qualification of the supply for VAT purposes depends on the terms of the agreement.

Supply of Services/Goods[5]

If, based on the terms of the agreement concluded between the parties, the supply should be regarded as a supply of services, the VAT treatment is the following (assuming that the supplier is established in Luxembourg):

- If the film is supplied to a Luxembourg recipient, the supply should be subject to Luxembourg VAT. The standard VAT rate of 17% should apply. The VAT on the supply is in principle due when the supply is made. There are, however, two exceptions:
  - When the supplier issues an invoice in respect of the supply, the VAT is due on the date of the invoice but at the latest on the 15th of the month following the supply.
  - When the supply gives rise to an advance payment before the supply is made, the VAT is due on the date of the receipt of the payment in proportion of that payment.
- If the service is rendered to another taxable person (B2B) established and registered for VAT purposes in another EU Member State, the supply should be out of scope of Luxembourg VAT provided that the recipient provides its EU VAT identification number to the Luxembourg supplier. The supply is deemed to be located in the country where the recipient is established and should be subject to the VAT rules applicable in this country (reverse charge mechanism).
- If the service is rendered to a nontaxable person established within the EU, the supply is deemed to be located in the country where the recipient is established and should be subject to the VAT rules applicable in this country. Moreover, the declaration and the collection of the VAT due in different EU countries by the supplier is made through a special platform known as the One-Stop-Shop as from July 1, 2021“
- Interactive programs accessed through the internet may be subject to different rules and be analyzed on a case-by-case basis.
- ”If the service is rendered to a recipient (B2B or B2C) established outside the EU, the supply should be out of scope of Luxembourg VAT. The supply is deemed to be located in the country where the recipient is established.

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[5] In the case that payments occur in the context of the supply of goods and/or services between associated enterprises, then specific transfer pricing considerations should be taken into account in order to support the arm´s length nature of the prices charged in this context.

If, based on the terms of the agreement concluded between the parties, the supply should be regarded as a supply of goods; assuming that the supplier is established in Luxembourg, the supply should either be a local supply subject to Luxembourg VAT or a VAT-exempt (zero rated) intracommunity supply of goods or export.

Royalties[6]

The VAT treatment applicable to royalties paid by a Luxembourg taxable person is the following:

- If the royalties are charged by another taxable person established in Luxembourg, the royalties should be subject by the supplier to Luxembourg VAT. The VAT rate applicable should be the standard rate of 17%. If, however, the supply qualifies as a supply of copyright, the VAT rate applicable should be 3%.
- If the royalties are charged by a foreign supplier, they should in principle be charged free of VAT by the supplier (to be confirmed from a local perspective in the supplier's country of establishment). The royalties are deemed to be located in Luxembourg and fall within the scope of the VAT rules applicable in Luxembourg (reverse charge mechanism). The VAT due in Luxembourg on the royalties should be accounted for by the Luxembourg taxable person in its VAT returns. VAT is then deductible according to the recovery right of the Luxembourg recipient. As mentioned above, the VAT rate applicable to royalties should be 17%, except if the royalties relate to copyrights. In such a case, the VAT rate should be 3%.

Peripheral Goods and Merchandising

In the absence of specific provisions, general rules and rates apply to the sale of peripheral goods and merchandising. The VAT rate applicable depends on the nature of the goods involved, whether they are connected with the distribution of the film. For instance, books and magazines are subject to 3%, but toys and clothes (except children's clothes) are subject to the standard rate of 17% when supplied in Luxembourg.

Promotional Goods or Services

In the absence of specific provisions, the general rules and rates apply to promotional goods or services. The VAT rate applicable to the provision of promotional goods and services should be 17% or 14%. The free provision of promotional goods and services (i.e., commercial samples or gifts of small value distributed for business use) falls in principle outside the scope of VAT, as there is no consideration paid for the supply. Provided that the expenses incurred in this respect are reasonable, the input VAT incurred on such goods and services should be recoverable.

Film Crews and Artists

The supply of hotel accommodations, food, and nonalcoholic drinks in Luxembourg is taxable at the reduced rate of 3%. Supplies of goods or services of a catering company during filming should also be taxable at 3%. Provided that the expenses are incurred for business purposes and are not luxury, recreation, or entertainment expenses, the VAT incurred in Luxembourg should be recoverable.

Imports of Goods and Customs Duties

If a resident company imports goods from a foreign country VAT, eventually Customs duties would be due. The rates for Customs duties depend on the origin and the nature of the goods that are imported. The duty rates are defined in the online Customs tariff database, also called the TARIC. This multilingual database is available online on the website of the European Commission, www.europa.eu.int, under Taxation, Tax, and Customs online databases.

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[6] Similar to the above, in the case of royalty payments between associated enterprises, specific transfer pricing considerations would apply and the arm´s-length nature of the transaction would be supported.

Personal Taxation

Nonresident Artists

A nonresident artist is subject to tax on his or her Luxembourg-sourced income only. The income of artists from independent services performed in Luxembourg, including royalty income on such activities, is subject to a withholding tax of 10%.

Resident Artists

The law dated December 19, 2014 (amended by the law dated December 7, 2016) relating to the status of the artist applies to the following population:

- Authors and performers in the areas of graphic and plastic arts, performing arts, literature, and music
- Designers, creators, and technicians of works of art using photographic, film, audiovisual, or other advanced technologies.

An individual could be considered an independent professional artist if, without any link of subordination, he or she provides his or her artistic services and bears the social and economic risks. The exercise of any other non-artistic professional activity in addition to this does not challenge the qualification of the independent artist if the annual income relating to the other activity does not exceed 12 times the minimum social salary for qualified workers.

The individual claiming the status of independent professional artist has to prove that he or she is acting as an artist for a minimum period of three years (reduced to 12 months for individuals having official diplomas in one of the above-mentioned areas) and has to be registered as an independent intellectual worker within a pension insurance scheme. This status is recognized by the authorities during a 24-month period. After this period, it could be renewed by a written request to the minister competent for culture.

The individual performing his or her activity on behalf of an entertainment company or within the context of a film, theatre, or musical play and receiving fees as remuneration for his or her activity is considered as an “intermittent du spectacle” (artist with a nonregular activity).

Artists are entitled to deduct up to 25% of their professional income with a maximum of EUR12,500 per annum as professional expenses. Artistic and academic awards are tax-exempted as long as they are not the remuneration of the artist’s economic activity. The net profit exceeding the average profit of the three previous years is to be considered as an extraordinary income and taxed at a reduced rate.

In addition, social aids aimed at supporting artists’ activities are granted under certain conditions. These social aids are tax-exempted up to a maximum rate of 27.47%, including contributions to the unemployment fund (i.e., 60% of the Luxembourg marginal tax rate at 42% on which should be added a maximum of 9% for the unemployment fund).

Employees

Income Tax Implications

Resident and nonresident individuals employed in Luxembourg are normally subject to withholding tax on wages. This withholding tax is withheld at source by the employer and remitted to the Luxembourg tax authorities.

If the employee (single or married with only one spouse working) was subject to withholding tax on wage and his or her taxable income (after deductions) does not exceed EUR 100,000, he or she is not required to file a personal income tax return. In this case, the withholding tax on wage may be considered as his or her final personal income tax.

The tax year corresponds to the calendar year, and personal tax returns need to be filed by March 31 of the following year. On request to the competent tax office, an extension of time to file can be obtained.

Tax Rates

Income taxes are levied on taxable income (after deductions) at progressive rates up to 42%:

A surcharge amounting to the following is levied as a contribution to the unemployment fund:

- Seven percent (of the computed income tax liability) for taxable income not exceeding EUR150,000 in tax classes 1 and 1a or EUR300,000 in tax class 2
- Nine percent (of the computed income tax liability) for taxable income exceeding EUR150,000 in tax classes 1 and 1a or EUR 300,000 in tax class 2.

The tax rates applicable from 2014 are as follows:

Taxable Income (EUR)	%
0–11,265	0
11,265–13,137	8*
13,137–15,009	9*
15,009–16,881	10*
16,881–18,753	11*
18,753–20,625	12*
20,625–22,569	14*
22,569–24,513	16*
24,513–26,457	18*
26,457–28,401	20*
28,401–30,345	22*
30,345–32,289	24*
32,289–34,233	26*
34,233–36,177	28*
36,177–38,121	30*
38,121–40,065	32*
40,065–42,009	34*
42,009–43,953	36*
43,953–45,897	38*
45,897–100,002	39*
100,002–150,000	40*
150,000–200,004	41*
Over 200,004	42*

* +7%–9% for unemployment fund

Taxpayers are divided into three classes:

- Class 2 – Married couples who are jointly taxed; persons who are widowed, divorced, or separated (judicial separation) during the three preceding tax years (as long as they did not apply for this provision within the last five years); taxpayers living in a registered partnership; and taxpayers of the same sex married according to foreign law, on request via the filing of an annual personal tax return (under conditions). Nonresident married taxpayers must apply for joint taxation (under conditions) to benefit from this category. Taxpayers in this category apply the tax rates to one half their income and then multiply the liability by two (i.e., splitting system).
- Class 1a – Taxpayers who are not in Class 2 and who are widowed, persons aged at least 65 at the beginning of the tax year, single parents; and persons who are separated (judicial separation) or divorced for more than three years with children in their household
- Class 1 – Taxpayers who belong to neither Class 1a nor Class 2 (i.e., singles or persons who are separated [judicial separation] or divorced for more than three years with no children in their household) and nonresident married taxpayers are by default in this category.

As from tax year 2018, married couples and registered partners can opt to be taxed individually.

Employees who are not required to file a tax return but have expenses to deduct or paid excess withholding tax may obtain a refund by filing a tax reclaim (“décompte annuel”) with the tax authorities. The final deadline to submit the tax reclaim is ultimately fixed as at December 31 of the year following the tax year concerned. However, early filing is recommended.

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