



LUXEMBURG – July 2022

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GOVERNMENT TO PRESENT PROPERTY TAX REFORM IN AUTUMN

On Tuesday morning, Minister for Home Affairs Taina Bofferding announced on RTL Radio that the preparations for a property tax reform are almost complete.

Bofferding did not, however, provide any further information regarding the amount of the tax, instead referring to the official presentation of the reform scheduled for autumn. She stated that the services in charge have "worked hard" on a calculation formula, but details still need to be clarified.

Bofferding reiterated that the whole reform is very complex. At present, the property tax is still based on the land value as it was in 1941, which means that it is very low and varies from one municipality to another. The Minister stressed that the purpose of the property tax reform is to tax land in accordance with its actual value rather than to "fill the pockets of the state."

The new calculation will also be used for a national tax on land speculation - a 'mobilisation tax', as the Minister calls it. The goal of this type of tax is to make it less appealing from a tax perspective to leave building land fallow and still earn a lot of money.

The Council of State criticised or even opposed previous draft bills due to legal ambiguities or because it considered the bills a danger for the constitutional right to property. When asked whether she thinks there is a risk that the speculation tax might suffer a similar fate, Bofferding replied that she believes there is a general consensus in Luxembourg that "we need binding instruments and have to crack down on speculation".

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The profits generated by the property tax will be paid out to the municipalities, while the State would benefit from the introduction of a speculation tax. The Minister stated that, at least while exact rates have not yet been decided, she is unable to predict how much revenue these taxes will bring in. Similarly, Bofferding also argued that until the rates are fixed, it is difficult to say whether the taxes will actually stop speculation.

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