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"INCREASING THE SUPPLY OF HOUSING!": REFORM OF THE LAND TAX AND THE MOBILISATION OF LAND AND HOUSING

Two days after its adoption by the Government, Minister for Home Affairs, Taina Bofferding, Minister for Housing, Henri Kox, and Minister of Finance, Yuriko Backes, today presented the bill on the land tax, land mobilisation tax and housing tax, as well as the bill on the national register of buildings and dwellings. Thus, ahead of the State of the Nation speech, the members of the Government are presenting this long-awaited reform, which fulfils the objectives of the 2018-2023 coalition agreement.

It is worth noting that the land tax in its current form is one of the oldest taxes in the Grand Duchy, and that the unit values currently used date back to 1941! The main objectives of the land tax reform are to eliminate the inequalities generated by the current IFON and to create a new evaluation model that will be more objective, transparent and fair. The reformed land tax also introduces a novelty, namely a tax reduction on the main residence, as a fixed amount for each taxpayer. It should also be noted that the future IFON will remain a municipal tax.

The Minister for Home Affairs, Taina Bofferding, is very proud of the project: "This is a great leap forward! For decades, the reform of the land tax has been debated: We have acted to make this reform a reality! I want to make it very clear that the aim of this reform is not to generate additional tax revenue, but to eliminate the fundamental injustices of the current system."

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In order to allow citizens to estimate the amount of land tax they will have to pay under the planned reform, the government has set up a simulator accessible at: grondsteier-rechner.lu.

Introduction of a land mobilisation tax (IMOB)

Another challenge of this reform is the fight against the notorious housing shortage in Luxembourg. To this end, the bill introduces a tax on the mobilisation of land, whose purpose it is to encourage the effective construction of housing on the land dedicated to this end. The IMOB is an innovation and is based on the establishment of a national register of undeveloped land, which lists all land available for construction under the general development plans (PAG). A distinction is made in this regard between land that is immediately constructible, and land that requires the completion of prior roadworks and public and collective infrastructures.

"The land mobilisation tax will be calculated on the same basis as the IFON. It is unacceptable that owners do not build housing on their land, even though it is intended for this purpose, while more and more people, young people, families, can no longer afford to live in Luxembourg", emphasises Taina Bofferding.

Introduction of a national tax on the non-occupation of housing (INOL)

By introducing the INOL, complementary to the reform of the IFON and the IMOB, the government intends to mobilise existing unoccupied housing.

The municipal tax on unoccupied dwellings, introduced in 2008 on an optional basis as part of the Housing Pact 1.0, having failed to produce the expected results, will be replaced by a new compulsory national tax.

A dwelling is considered unoccupied if no natural person is registered in it for a period of six months. The municipality must establish that a dwelling is not occupied.

The INOL will be levied by the Luxembourg Inland Revenue for the benefit of the State will amount to 3.000 euros per dwelling for the first year. The tax will increase by 900 euros per year up to a maximum of 7.500 euros. If the property remains unoccupied, this amount will be due annually.

"In the face of the housing shortage, leaving homes unoccupied is a luxury we can no longer afford. Making the tax on the non-occupation of housing operational is therefore essential. This is even more justified as we have, with 30 organisations active in Social Rental Management, a system that makes it extremely simple for owners to rent out their homes. More than 1.000 housing units in Social Rental Management are proof of this", emphasised the Minister for Housing, Henri Kox, at the press conference.

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Introduction of a national register of buildings and dwellings (RNBL)

The collection of the INOL requires the creation of a national register of buildings and dwellings.

The first objective of the RNBL is to assign a unique identification number to all types of buildings and to each separate dwelling within the buildings. This will enable municipalities to register their inhabitants not only at an address on their territory, but also in a dwelling identified by its national identification number. This is necessary to implement the INOL.

In addition, the RNBL provides effective added value in many areas of administration for the benefit of citizens, whether for statistical or tax purposes, for scientific research or for planning purposes, by making it possible to identify buildings and dwellings with rigour and precision.

Thus, it is indispensable for improving the necessary transparency of the national building stock, which is still lacking today. In particular, the RNBL will make it possible to better support the implementation of the legislation on sanitation and the letting of (furnished) rooms.

Yuriko Backes, Minister of Finance, comments: "The measures we are proposing today form a coherent and comprehensive package. The land tax will be reformed to make it more modern and fair. The aim is not to create an additional tax burden for citizens and companies, which in times of crisis and inflation would not be desirable. This tax will be supplemented by a new land mobilisation tax and a tax on the non-occupation of dwellings. The primary objective of this measure is to put a serious brake on speculation and the growth of property prices, in order to increase supply, not to generate additional revenue."

Press release by the Ministry of Home Affairs, Ministry of Housing, the Ministry of Finance

PROPERTY TAX BILL: "A GREAT LEAP FORWARD" SAYS INTERIOR MINISTER

The long-awaited property tax bill includes a compulsory levy on unoccupied accommodation.

The fulfilment of an aim set out by the government coalition four years ago, the property tax bill is "a great leap forward" says interior minister Taina BofferdingTaina Bofferding (LSAP). It was presented to the press almost exactly a year after prime minister Xavier BettelXavier Bettel (DP), on 12 October 2021, told MPs in his state of the nation address that he planned to "table a bill on the reform of property tax within the next 12 months".

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Indeed, in an interview with Delano in June 2021, Bettel had cited the example of a residence opposite his private home in Bonnevoie that has been empty for 25 years. “It has three apartments, but they [the owners] have no interest in renting them out. Have an annual tax that doubles, and people will soon understand we have a housing crisis caused by speculation.”

At the time, the prime minister said that a property tax bill would be a step in the right direction. “But if someone thinks we can wave a magic wand to solve the housing problem, they are mistaken.”

Tackling empty residences

The ministers announced the introduction of a compulsory national tax on the non-occupation of housing. It replaces the municipal tax on unoccupied accommodation introduced in 2008 which, the minister explained, did not yield the results expected by the government. A residence will be considered unoccupied if no person is registered in it for a period of six months. The municipality must then establish that the property is not occupied. The tax will be levied by the Luxembourg inland revenue and will amount to €3,000 per residence and will increase by €900 per year to a maximum of €7,500.

A property mobilisation tax will also be introduced. It is based on the establishment of a national register which lists all land available for construction under the general development plans. It will make a difference between land that is immediately available for construction and land that requires the completion of prior roadworks and public and collective infrastructures before it can be built upon.

“It is unacceptable that owners do not build housing on their land, even though it is intended for this purpose, while more and more people, young people, families, can no longer afford to live in Luxembourg,” said Bofferding.

National register to keep things ticking

The national register will aim to assign a unique identification number to all types of buildings and to each separate dwelling within each building. This will provide added value in many areas of administration for the benefit of citizens, scientific research and planning, states a press release from the ministries of interior, housing and finance.

“The aim is not to create an additional tax burden for citizens and companies, which in times of crisis and inflation would not be desirable,” said Yuriko Backes Yuriko Backes (DP).

The bill also includes other reforms on property tax and the mobilisation of land and housing. It introduces a main residence tax reduction as a fixed amount for each taxpayer. The property tax will also remain a municipal tax. The government has set up an online

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simulator allowing citizens to estimate the amount of property tax they'd have to pay under the planned reform.

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