

Legal news in a word

- Amendments to the income tax law
- Law of 21 December 2007
- Changes to the tax bands

New measures governing the tax regime applicable to individual taxpayers have recently been introduced.

These measures concern modifications to the range of income tax bands, the introduction of a child tax allowance, a new tax exemption for overtime work as well as a measure enabling family partners to make a joint tax declaration.

First of all, the 17 tax bands, which correspond to the scale of taxable levels of income, have been increased by 6 %. As a result, the lowest band, below which no income tax must be paid, has been increased from 9,750 € to 10,335 €. The top end tax band, corresponding to a 38% tax rate, has been raised from 34,000 € to 36,570 €.

A child tax allowance is replacing the former annual tax deductions applicable to those who have dependant children. This change aims at providing a remedy for the disadvantaged, low income earning parents, who were not receiving this benefit because their income fell below the lowest taxable band. The child allowance is equal to the previous deduction, and is currently set at 922,50 € per child. Such allowance is paid directly by the administration “Caisse Nationale des Prestations Familiales” at the beginning of each taxable year.

Because of this child tax allowance, the monthly tax withholding on the remuneration are no longer determined by the number of dependant children of the taxpayer. The classes of tax rates taking into account the number of children (1.a.1, 1.a.2, 2.1, 2.2, etc.) disappear and withholding tax becomes the same for taxpayers with or without children. Effectively, the tax increase for taxpayers with dependant children is offset by the tax allowance, which is paid as a supplementary income.

A further innovation concerns overtime hours worked by employees in the private sector, which become completely tax exempted (where previously any overtime earnings above a threshold of 1,800 € would be subject to tax).

Finally, couples who have registered under a common partnership agreement may apply to be taxed jointly under the same regime available to married couples.

We remain at your disposal should require any further information.

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