

TAX REFORM PROJECT 2017

We are pleased to summarize hereafter the major tax changes currently planned as part of the tax reform 2017 and concerning individuals. Please note that this is a governmental announcement. The measures, which have not been voted yet, should be applicable as of the tax year 2017.

The main idea is to reduce the tax burden on the middle classes, but also to bring taxpayers in the upper income levels to make a larger contribution. The governmental project provides for the adjustment of tax rates, tax credits and tax deductible expenses.

	2016	2017 REFORM (current project)
<u>Changes in rates</u>		
Tax scale	Maximum tax rate of 40%	Broad-based tax reductions for most households BUT new brackets of 41% and 42% for income over EUR 150.000 or EUR 200.004 resp. (class 1)
Temporary budget-balancing tax	0,5%	Repealed
CIS/CIP (tax credit for employees/retirees)	EUR 300	EUR 600 up to a taxable income of EUR 40.000, then progressive decrease to EUR 0
CIM (tax credit for single-parent)	EUR 750	EUR 1.500 up to a taxable income of EUR 35.000, then progressive decrease to EUR 750
Taxation on capital gains on estate realized between 01.07.2016 and 31.12.2017	½ global rate	¼ global rate
<u>Changes in deductible expenses</u>		
Old-age insurance premiums (Art. 111 bis L.I.R.)	EUR 1.500 - EUR 3.200 depending on taxpayer's age	EUR 3.200 for all taxpayers
Contributions to home ownership saving scheme (for taxpayers under 40)	EUR 672	EUR 1.344
Contributions to home ownership saving scheme (for taxpayers over 40) - no changes	EUR 672	EUR 672
Ceiling amount deductible for interest costs incurred to finance principal residence	EUR 1.500 for the 5 first years EUR 1.125 for the 5 subsequent years EUR 750 for the following years	EUR 2.000 for the 5 first years EUR 1.500 for the 5 subsequent years EUR 1.000 for the following years

Other measures

The option of separate taxation for married spouses is introduced for both residents and non-residents.

The flat-rate tax on certain interest income (« Relibi »), currently at 10%, will be raised to 20% as from 01.01.2017.

The taxation of a unitary value on the main residence is abolished.

The least polluting vehicles (zero-emission) will benefit from a tax rebate.