

LUXEMBOURG

2009

1. Overview of the system

A contributory unemployment insurance can be paid for maximal 365 days in a period of 24 months. A social assistance (Revenu Minimum Garanti) is available only for people over 25 or for families with children. These social assistance recipients can also receive a housing aid. Universal family benefits are paid to families with dependent children. The tax system is progressive and based on the family income.

1.1. Average worker wage (AW)

The 2009 AW earnings level is EUR 48 078¹.

2. Unemployment insurance

2.1 Conditions for receipt

Unemployment insurance is compulsory. The claimant has to be registered at the employment exchange, and to be available and fit for work. It is available for people aged between 16 and 64. Moreover, the claimant needs to be resident in Luxembourg.

The loss of the job must be involuntary.

2.1.1 Employment conditions

The claimant must have been employed for 26 weeks in the 12 months preceding unemployment at least for 16 hours a week.

1. AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information on methodology see Taxing Wages 2007-2008, OECD, 2009, part IV.

SM fait référence au Salaire Moyen estimé par le Centre de politique et d'administration fiscales (www.oecd.org/ctp). Pour plus d'informations sur la méthodologie, consulter Les impôts sur les salaires 2007-2008, OCDE, 2007, partie IV.

If rights to unemployment benefits are exhausted, right opens once again after a period of 12 months which follows the end of rights if the condition of 26 weeks employment in that period is once again fulfilled.

2.1.2 Contribution conditions

The claimant must have been employed for 26 weeks in the 12 months preceding unemployment.

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

A benefit of 80 per cent of the average wage during the three months immediately preceding unemployment is increased to 85 per cent if the beneficiary has dependent children. The maximum benefit level amounts to 250 per cent of the social minimum reference salary for the first six months, 200 per cent afterwards. The social minimum reference salary is EUR 1 682,76 per month (EUR 20 193,12 per year).

Income and earnings disregards

The benefit is not income tested any more.

Income from accessory work is compatible with the unemployment benefit as long as it does not exceed 10% of reference salary (3 months are taken for reference salary computation). If the income is higher than 10% of reference salary, the amount in excess is deducted from the benefit.

2.3 Tax treatment of benefit

Unemployment benefits are taxable. The tax base is the same as that for earned income, including the work related expenses allowance. Social contributions are due for health care, long term care and for pensions (old age, disability and survivors) (see section 10.3).

2.4 Benefit duration

The benefit is allocated during an equivalent period of time (calculated in months) as the working period fulfilled during the reference period taking in account for opening the right to unemployment allowance. The maximum benefit period is 365 calendar days in a 24-month period. The benefit is paid from the first day of unemployment; there is no waiting period.

2.5 Treatment of particular groups

2.5.1 Young persons

Unemployed under 21 with completed education or less than 26 working weeks in the last 12 months are eligible for a benefit amounting up to 70 per cent of the minimum wage. The benefit for unemployed without completed education under 18 years of age (16-17 years) is 40 per cent of the minimum reference wage. The benefit is payable for 365 days (7 days per week) after a waiting period of 26 weeks (completed education period of 9 years at least) or 39 weeks. The minimum reference wage for workers was EUR 1 682,76 per month from the 1st march 2009 on .

2.5.2 *Older workers*

Unemployed 50 years old and more qualify for prolongation of the benefit period by 12, 9 or 6 months if the contribution period is 30, 25 or 20 years respectively (with a threshold of 150% of the minimum wage).

After 55 years of age, a prolongation of 6 months is granted without special conditions

After 57 years of age, early retirement is possible.

2.5.3 *Disabled workers*

Unemployed aged between 16 and 49 years old qualify for prolongation of the benefit period by 6 months if the degree of disability is 30% at least. After 50 years of age, the additional 6 months are granted if the person has a disability of 15 % at least.

2.5.4 *Self-employed*

Self-employed job-seekers must have worked as self-employed during six months at least before inscription as job-seeker and give proof of an obligatory affiliation to the social security of Luxembourg (as wage earner or independent) of 2 years at least.

3. *Unemployment assistance (Aides à la recherche d'emploi)*

Les aides destinées surtout aux demandeurs d'emploi sont:

3.1. Aide au réemploi

Le fonds pour l'emploi peut accorder une aide au réemploi en cas de reclassement dans un emploi comportant un niveau de rémunération inférieur à la rémunération antérieure.

3.1.1. Conditions for receipt

L'aide est accordée

- au salarié parti volontairement,
 - lorsque le chef d'entreprise a engagé les procédures de notification et de consultation concernant les licenciements collectifs;
 - lorsque l'entreprise a sollicité et obtenu l'application du régime d'indemnisation du chômage partiel;
 - lorsque l'entreprise se trouve placée sous le régime de la gestion contrôlée;
 - lorsque l'entreprise se trouve en voie de liquidation.
- au salarié licencié
 - dans le cadre de mesures de redressement, de réorganisation ou de restructuration de l'entreprise;
 - en cas de déclaration en état de faillite de l'employeur;
 - en cas d'incapacité physique ou de décès de l'employeur.

- au chômeur indemnisé
- au travailleur frontalier ayant perdu son emploi, soit en raison d'un départ volontaire dans les cas énumérés ci-haut, soit en raison d'un licenciement dans le cadre de mesures de redressement, de réorganisation ou de restructuration de l'entreprise et qui est reclassé dans un emploi se situant sur le territoire du Grand-Duché de Luxembourg.

Le **contrat de travail** doit remplir les conditions suivantes:

- contrat à durée indéterminée;
- contrat à durée déterminée pour 18 mois minimum;
- remplacement d'un congé parental.

3.1.2. Calculation of benefit amount

En cas de reclassement dans un emploi comportant un niveau de rémunération inférieur à la rémunération antérieure, l'aide au réemploi a pour but de garantir au bénéficiaire (salarié), compte tenu de la nouvelle rémunération perçue, une rémunération égale à 90 % de la rémunération antérieure, plafonnée à 350% du salaire social minimum.

Tax treatment of benefit and interaction with other benefits
Taxable

3.1.3. Benefit duration

L'aide au réemploi est due pendant une durée de 4 ans.

3.2. Aide à la création d'entreprise

Une aide à la création ou la reprise d'une entreprise légalement établie au Luxembourg et y exerçant ses activités peut être accordée par le Ministre du travail et de l'emploi aux demandeurs d'emploi sans emploi.

3.2.1. Conditions for receipt

Peuvent bénéficier de cette aide:

- les chômeurs indemnisés depuis 3 mois au moins et âgés de 40 ans accomplis;
- les chômeurs indemnisés depuis 6 mois au moins;
- les demandeurs d'emploi inscrits à l'ADEM depuis 8 mois au moins et ayant accompli une carrière professionnelle de 6 ans au moins au Luxembourg, à condition que la dernière occupation ait été antérieure de moins de 3 mois à l'inscription comme demandeur d'emploi auprès de l'ADEM.

3.2.2. Calculation of benefit amount

L'aide correspond au montant capitalisé des indemnités de chômage complet auxquelles le demandeur aurait droit lors des 6 premiers mois qui suivent la prise de l'activité.

3.2.3. Tax treatment of benefit and interaction with other benefits

Taxable

3.2.4. Benefit duration

Montant unique

3.3. Aide à la mobilité géographique des demandeurs d'emploi

Le fonds pour l'emploi peut accorder une indemnité pour frais de déplacement dans le cas où le bénéficiaire réside en territoire luxembourgeois et est reclassé dans un emploi durable en territoire luxembourgeois à une distance supérieure à 15 km du lieu de sa résidence habituelle.

3.3.1. Conditions for receipt

L'aide est accordée aux personnes qui:

- sont demandeurs d'emploi;
- ont leur résidence en territoire luxembourgeois;
- sont inscrits depuis au moins 3 mois auprès de l'ADEM;
- sont reclassés dans un emploi durable en territoire luxembourgeois.

3.3.2. Calculation of benefit amount

Kilomètres parcourus	Indemnité
de 16 à 20 km	61,97 €
de 21 à 30 km	74,37 €
de 31 à 40 km	99,16 €
de 41 à 50 km	123,95 €
supérieur à 50 km	136,34 €

3.3.3. Tax treatment of benefit and interaction with other benefits

Taxable

3.3.4. Benefit duration

L'indemnité pour frais de déplacement est accordée pendant une période de 18 mois au maximum.

3.4. Stage de réinsertion professionnelle

3.4.1. Conditions for receipt

Demandeur d'emploi indemnisé ou non, âgé de 30 ans au moins et inscrit depuis 3 mois au moins.

3.4.2. Calculation of benefit amount

Le demandeur d'emploi non indemnisé touche une indemnité de stage équivalente au salaire social minimum pour travailleur non qualifié. Cette indemnité est à charge du fonds pour l'emploi.

Le demandeur d'emploi indemnisé garde en principe le bénéfice de son indemnité de chômage complet.

Exception pour le chômeur dont l'indemnité de chômage est inférieure au salaire social minimum pour travailleur non qualifié, l'ADEM arrête le paiement de chômage et le stagiaire touche le salaire social minimum pour travailleur non qualifié.

Ce stage est pris en compte comme période de stage ouvrant droit à l'indemnité de chômage complet et donne droit à la prolongation de 6 mois de l'indemnité de chômage complet.

L'entreprise peut verser au stagiaire une prime de mérite facultative qui ne peut être prise en compte pour le calcul de l'indemnité de chômage complet.

Le stagiaire est dispensé de se présenter au contrôle, mais reste disponible pour le marché de travail.

3.4.3. Tax treatment of benefit and interaction with other benefits

Taxable

3.4.4. Benefit duration

L'ADEM détache le stagiaire auprès du patron de stage pour 12 mois maximum.

3.5. Contrat d'appui-emploi

L'objectif de ce type de contrat est d'offrir au jeune demandeur d'emploi de moins de trente ans accomplis une initiation et/ou une formation pratique et théorique en vue d'augmenter ses compétences et de faciliter son intégration voire sa réintégration sur le marché du travail. Sont visés les promoteurs n'ayant pas la forme juridique d'une société commerciale au sens de la loi modifiée du 10 août 1915 concernant les sociétés commerciales.

3.5.1. Conditions for receipt

- être âgé de moins de 30 ans accomplis;
- être inscrit depuis au moins un mois à l'ADEM ;
- être bénéficiaire d'une convention d'activation proposée par l'ADEM.

3.5.2. Calculation of benefit amount

Le jeune demandeur d'emploi bénéficiaire d'un CAE touche une indemnité égale à quatre-vingts pour cent du salaire social minimum qui lui reviendrait en cas d'occupation comme travailleur non qualifié.

3.5.3. Tax treatment of benefit and interaction with other benefits

Taxable

3.5.4. Benefit duration

La durée totale du CAE ne peut dépasser neuf mois (durée minimum : trois mois). La durée hebdomadaire est limitée à trente-deux heures.

3.6. Contrat d'initiation à l'emploi

Ce contrat, réservé aux promoteurs qui peuvent offrir au jeune demandeur d'emploi une réelle perspective d'emploi à la fin du contrat, a pour finalité d'assurer au jeune pendant les heures de travail une formation pratique facilitant l'intégration sur le marché du travail.

3.6.1. Conditions for receipt

être âgé de moins de 30 ans accomplis;

3.6.2. Calculation of benefit amount

L'indemnité est fixée à 80% du salaire social minimum pour travailleurs non qualifiés. Une prime de mérite peut être versée par le promoteur.

3.6.3. Tax treatment of benefit and interaction with other benefits

Taxable

3.6.4. Benefit duration

Le contrat est conclu pour une durée de douze mois (prolongation possible de 12 mois par le Ministre du Travail dans le cas d'une formation qualifiante ou d'une formation pratique prévue par une convention collective déclarée d'obligation générale).

4. Social assistance

The main element is the *Guaranteed Minimum Income* (RMG, guaranteed minimum income).

The RMG consist in granting

- either an “indemnité d’insertion”(integration benefit),
- or an “allocation complémentaire” (complementary benefit),
- or an “indemnité d’insertion” and an “allocation complémentaire”.

4.1 Conditions for receipt

Each person aged between 25 and 60 years who is able to work full-time has to apply for an “indemnité d’insertion”. The “indemnité d’insertion” is a gross income either paid for

- the preparation and assisted search for a paid work,
- community service work in the public sector,
- a professional training in the private sector.

People raising children, in charge of a dependent person or unable to work full-time may benefit of a reduction of the working hours.

The “allocation complémentaire” is intended to complete the difference between the maximum of the RMG due according to the family type (see section 4.2.1.) and the gross income of the family.

4.2 Calculation of benefit amount

4.2.1 Calculation of gross benefit

The gross amount of the “indemnité d’insertion” is equivalent to the hourly rate of the minimum wage multiplied by the number of hours the person has to supply. The minimum wage in 2009 is EUR 1 682,76 per month, for a full-time job (40 hours a week/173 hours a month).

The amount of the “allocation complémentaire” is the difference between the RMG below and the amount defined in section 4.2.2.

Family type	RMG (EUR per month)	
	1 July 2009	Percentage of first adult payment
First adult	1 198,67	100
Second adult	599,34	50
Supplementary adult	342,93	28.6
Child supplement	109,00	9,1
Impotency supplement,*)	626,72	52,3

*) *the impotency supplement is stopped when the person starts receiving long term care benefits. Overtime the impotency supplement is replaced completely by long term care benefits.*

4.2.1.1 additional payments [NEW ITEM]

The Fonds National de Solidarité will grant on demand for the year 2009 an “allocation de vie chère” for every resident in Luxembourg with limited income, as long as the annual gross income of the family type does not exceed the limits fixed below :

The annual gross income limits for 2009 are fixed as :

communauté domestique	Revenu annuel global n.i. 100	augmentation par personne	indice courant au 01.07.2009	revenu annuel global
1 personne	2 880		7,0229	20 225,95
2 personnes	4 320	1 440	7,0229	30 338,93
3 personnes	5 184	864	7,0229	36 406,71
4 personnes	6 048	864	7,0229	42 474,50

5 personnes	6 912	864	7,0229	48 542,28
6 personnes	7 776	864	7,0229	54 610,07
7 personnes	8 640	864	7,0229	60 677,86
8 personnes	9 504	864	7,0229	66 745,64
9 personnes	10 368	864	7,0229	72 813,43
10 personnes	11 232	864	7,0229	78 881,21

Est considéré comme revenu annuel global l'ensemble des revenus bruts annuels dont le demandeur seul ou la communauté domestique demanderesse a disposé pour l'année de calendrier précédant l'année au cours de laquelle l'allocation est demandée. Sont notamment à déclarer:

- le revenu provenant d'un travail régulier ou généralement d'une activité professionnelle quelconque, à l'exception toutefois des indemnités et salaires promérités par des enfants ouvrant droit à des allocations familiales ;
- les revenus de remplacement dus au titre de la législation luxembourgeoise ou étrangère ;
- les revenus de biens mobiliers et immobiliers ;
- les rentes et pensions ;
- les allocations ou prestations touchées de la part d'un organisme public ou privé ;
- les pensions alimentaires.

The "Allocation de vie chère" for 2009 is fixed as :

- 1 320 euros for a single person
- 1 650 for a family type of 2 persons
- 1 980 euros for a family type of 3 persons
- 2 310 euros for a family type of 4 persons
- 2 640 euros for a family type of 5 persons and more.

In case the above gross income limit is exceeded, the benefit of a reduced allowance is possible..

The monthly gross income limits for 2009 for the reduced "allocation de vie chère" are fixed as :

for single person	1 644,42 – 1 754,40
for a family type of 2 persons	2 466,62 – 2 604,10
for a family type of 3 persons	2 959,94 – 3 124,92
for a family type of 4 persons	3 453,27 – 3 645,75
for a family type of 5 persons	3 946,59 – 4 166,57
for a family type of 6 persons	4 439,91 – 4 659,89
for a family type of 7 persons	4 933,23 – 5 153,21
for a family type of 8 persons	5 426,56 – 5 646,54
for a family type of 9 persons	5 919,88 – 6 139,86
for a family type of 10 persor	6 413,20 – 6 633,18

Calcuation method:

The allowance will be reduced by the equivalent amount exceeding the fixed income limits.

Ex:

Yearly allowance for 1 person: $1\,320 / 12$ euro = 110 euro monthly allowance.

Montly gross income: 1 700 euros ($1\,700 - 1\,644,42 = 55,58$)

reduced monthly allowance will be : $110 - 55,58 = 54,42$

Reduced allowance for 2009 will be 653,04 euros ($54,42 * 12 = 653,04$)

The "allocation de vie chère" allowance is tax and sickness contribution and long term care contribution free.

4.2.1.2 *Obligations of family members* [NEW ITEM]

[please indicate whether relevant job-search or work-availability conditions extend also to the spouse of the benefit claimant, or other family members. Where such requirements for family members exist, how are benefit amounts affected if the spouse or other family member does not comply with them (e.g., if he or she does not register as a job-seeker but is genuinely labour-market 'inactive')?]

4.2.2 *Income and earnings disregards*

Gross income from whatever source is included in the income test, but an amount of 30 per cent of the RMG by family type is disregarded. Family benefits are not considered as income for the social assistance means test.

In practice 130 % of RMG (according to family type) is the income test limit. The "allocation complémentaire" which is a complement to the personal gross income is due as long as a person is eligible for granting for the RMG. No assistance is paid once the 130% limit is passed.

4.3 *Tax treatment of benefit*

Taxable. Full social security contributions are payable with the "indemnité d'insertion" whereas for the "allocation complémentaire" in general only the sickness contributions and long term care contributions are payable. Pensions contributions are paid by the "Fonds National de solidarité" for those beneficiaries of an "allocation complémentaire" who have already a period of insurance of at least 25 years in the general pension scheme. The difference between the social minimum reference salary and the beneficiary's professional income is the taxes base.

4.4 *Benefit duration*

The "allocation complémentaire" stops as soon as gross income of the household exceeds 130% of RMG.

The contract of the "indemnité d'insertion" is not renewed if gross income exceeds 130% of RMG.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

People under 25 do not qualify unless they have dependent children, are responsible for a dependent person or unable to work.

4.5.2 *Older workers*

Old age workers over 60 years do not need to be available for the labour market any longer. Their revenue is totally based on the "allocation complémentaire".

5. Housing benefits

5.1 Conditions for receipt

To be receiving social assistance.

5.2 Calculation of benefit amount

It is included in the “allocation complémentaire”. The income test limit of the RMG according to family type is raised by the amount of the difference between the rent and 10 per cent of the predefined income test limit. Maximum payments are EUR 123,94 per month.

In practice, the maximum is always applicable.

Sickness contribution and long term care contribution are payable.

5.3 Allocation de chauffage.

The “allocation de chauffage” will not be renewed for 2009. It will be replaced by another allowance “Allocation de vie chère” as per 01 january 2009.

6. Family benefits

6.1 Conditions for receipt

Family benefits are paid only to families with dependent children under 18 (or under 27 if still in education).

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

Family size	Rate (EUR per month) 1 July 2009
One child	185,60
Two children	440,72
Three children	802,74
Supplement per child from the fourth one	361,82
Supplement per child aged 6-11	16,17
Supplement per child 12+	48,52

6.2.2 Allocation de rentrée scolaire.

Luxembourg also pays a schooling expense allowance in August of each year for all children aged six and older. The level of the allowance varies according to the number of children in the household. For one child over age six, the allowance is 113,15 Euros and 161,67 Euros for a child age 12 or older.

For two children, the allowance is 194,02 Euros for a child 6-12 years old and 242,47 Euros for a child 12 or older.

In families with three or more children, 274,82 Euros is paid for each child 6-12 years, and 323,34 Euros for each child over age 12 .

Les exemples:

- Couple avec 1 enfant de 4 ans: 0 eur
- Couple avec 1 enfant de 8 ans : 113.15 eur
- Couple avec 1 enfant de 13 ans: 161,67 eur
- Couple avec 2 enfants : 4 et 6 ans: 194,02 eur**
- Couple avec 2 enfants : 6 et 8 ans: 194,02+194,02eur
- Couple avec 2 enfants : 6 et 13 ans: 194,02+242,47 eur
- Couple avec 3 enfants : 4 et 6 et 13 ans: 274,82+323,34 eur.

6.2.3 Income and earnings disregards

Not means-tested.

6.3 Tax treatment of benefit

Family benefits are not taxable.

6.3.1 "Boni pour enfant"

A partir de 2008, chaque famille soumise à l'impôt au Luxembourg qui est bénéficiaire d'allocations familiales a droit à une nouvelle prestation, appelée "boni pour enfant". Le boni représente une "bonification d'office", en d'autres termes une attribution automatique, sous forme de prestation, de la modération d'impôt pour enfant, déduite jusqu'ici de l'impôt à payer, et a le double caractère d'une mesure fiscale et d'une prestation familiale. Il est également attribué aux familles qui n'ont pas pu profiter de la modération d'impôt dans le passé. (voir 10.1.1. Children tax credit) En 2008, le boni est versé en une seule fois pour toute l'année. Le montant est fixé à 922,50 Euro par enfant. A partir du mois de janvier 2009, il est versé mensuellement. Le montant mensuel est fixé pour chaque enfant bénéficiaire d'allocations familiales à 76,88 EUR.

6.4 Treatment of particular groups

None.

7. Garde d'enfant pour les enfants d'âge préscolaire / Childcare for pre-school children

Garde d'enfant pour les enfants d'âge préscolaire / Childcare for pre-school children

L'école est obligatoire à partir de 4 ans. L'Éducation précoce est destinée aux élèves ayant atteint l'âge de 3 ans. L'encadrement des élèves est assuré par une équipe pédagogique et éducative comprenant un/une instituteur/institutrice de l'éducation préscolaire ainsi qu'un deuxième intervenant (généralement un/une éducateur/éducatrice).

L'introduction de l'Éducation précoce, instaurée en 1998, était progressive jusqu'à la rentrée scolaire 2009/2010. À partir de cette date elle est obligatoire pour chaque commune, l'inscription des élèves restant toutefois facultative pour les parents.

Au début de l'année 2008/2009, le nombre total des groupes dans l'Éducation précoce s'élevait à 215 avec un total de 4036 élèves (estimation pour 2009/10: 4105 élèves). N'y sont donc pas inclus les élèves qui entrent au cours de l'année scolaire. L'effectif moyen par groupe s'élevait en 2008/09 à 18,8 élèves. A noter cependant que selon les plages de fréquentation hebdomadaires de l'enfant, les groupes-classes de l'éducation précoce sont souvent organisés en sous-groupes.

7.1 *Out-of-pocket childcare fees paid by parents*

Rather than opting for an overall increase in family allowances for each child, the government introduced a measure called "childcare-service vouchers" in March 2009. The service voucher is an allowance paid in kind rather than in cash and represents a new type of public benefit for children and their families.

The old system of fee determination has been replaced by the "childcare-service vouchers". The "childcare-service vouchers" scheme introduces the same criteria for all service providers as regards parents' financial contributions. Before its introduction, the criteria could vary from one municipality to another, from one service provider to another.

Childcare-service-voucher

The "childcare-service voucher" scheme introduces the same criteria for all service providers as regards parents' financial contributions. Before its introduction, the criteria for determining parental contribution could vary from one municipality to another or from one service provider to another.

In the area of extra-curricular educational childcare, this system provides partial exemption from payment and reduced parental financial contribution encouraging beneficiaries to access professional educational services.

The intended educational childcare is offered by approximately 700 different service providers as:

- Childcare centres
- Registered crèches, day-care centres and nurseries,
- Commercial and business crèches
- Socio-family boarding schools caring for children still in primary education,
- Parental assistants
- Holiday organisations
- Music schools in the communal sector,
- Sport associations

Direct beneficiaries of the service voucher are all children satisfying the following criteria:

- Resident in a Luxembourg town.
- Aged between 0 and 12 and/or still in primary education.

Approximately 30.000 children of a prospective population of 74.000 are real beneficiaries of the measure. Parents wishing their children to benefit from the "childcare-service voucher" scheme need to register with their local Commune.

The service voucher gives each child the right, whatever the parents' income, to at least 3 free hours of childcare per week. In addition there are 21 hours at the "service voucher tariff" (maximum 3 euro per hour) and 36 hours at the "socio-family tariff" (maximum 7.50 euro per hour). The hourly fee varies for each child according to the income of the household and the birth order of the child.

Children exposed to the risk of poverty and/or threatened by social exclusion are priority beneficiaries of the "childcare-service voucher" scheme. These are, on the one hand, children living in households in receipt of the minimum wage. This affects some 2500 children under the age of 13. Priority is also extended to children exposed to the risk of poverty, as identified by local towns or, alternatively, by the relevant departments of the Ministry for Family and Integration. The criteria for identifying children exposed to the risk of poverty are those living in households where there is a low level of income, excessive indebtedness, extraordinary costs, illness of one of the household members and the best interests of the child (principle stipulated by article 3 of the UN Convention on the Rights of the Child, 1989).

At service voucher level, children exposed to the risk of poverty are entitled to a higher level of benefit:

- Free childcare

A greater number of hours per week are available free of charge.

- Children living in households receiving the minimum wage: 25 hours
- Children exposed to the risk of poverty: 15 hours
- "Service voucher tariff"

A greater number of hours per week are available at the "service voucher tariff".

- Children living in households receiving the minimum wage: 35 hours (or the time span between 26 and 60 hours)
- Children exposed to the risk of poverty: 45 hours (or the time span between 16 and 60 hours). Main meals are free of charge.

The "childcare-service vouchers" has no interference with the child care expenses allowance

See detailed information in Annexe.

7.2 Allocations de garde d'enfant / Child-care benefits

Il n'existe pas d'allocations en espèces reçues par les parents dont les enfants sont inscrits dans un système de garde d'enfant.

8. Employment-conditional benefits

8.1 *parental leave, introduced from 1 January 1999.*

8.1.1 *Conditions of receipt*

The Law of 12 February 1999 creates an individual (and non-transferable) entitlement to take six months parental leave full-time or 12 months half-time for any parent raising a child under five at home. The parent must have been working without interruption for at least 20 hours/week for the same employer in the year preceding the child's birth immediately. The employment contract is simply interrupted, with the worker returning to his job once the period of parental leave has elapsed.

8.1.2 *Calculation of benefit amount*

8.1.2.1 Calculation of gross benefit

- 100 per cent: EUR 1 778,31 per month.
- 50 per cent: EUR 889,15 per month.

8.1.2.2 Income and earnings disregards

None.

8.1.3 *Tax treatment of benefit*

- Not taxable. The sickness and the long term care contributions are payable whereas the old age contribution is financed by the State.

9. Lone-parent benefits

There are no lone parent benefits, but Single-parents receive a refundable tax credit of EUR 750 per annum (see section 10).

10. Tax system

Luxembourg has a progressive tax scheme with 17 rates varying between 0 and 38 per cent in 2003. Tax calculation is based on the splitting method.

10.1 *Income tax rate schedule*

10.1.1 *Tax allowances and credits*

Tax allowances:

- Professional expenses are deductible with a minimum of EUR 540. This minimum is deductible by default if there are not greater expenses. For income from RMG (SA), the tax allowance on professional expenses amounts to EUR 300. Someone who is receiving SA and is working at the same time, is eligible for the tax allowances of EUR 540 and 300. In

this case, the total tax allowance amounts to EUR 840. However, the amount of each tax allowance cannot exceed the amount of the related income.

- Employee’s travel expenses (to go to work) are deductible with a minimum of EUR 396 and a maximum of EUR 2 970 (the minimum amount is applied here).
- General deductions are possible at EUR 480.
- Social security contributions are deductible in their entirety, except long term care insurance.
- If both members of the couple are employees they have an extra professional allowance of EUR 4 500.
- The taxpayer obtains, on request, an abatement on the taxable income for child care expenses (abatement for inevitable extraordinary charges). The amount of the abatement corresponds to the part of the extraordinary charges exceeding the following percentages of taxable income.

Taxable income (EUR per year)	Number of children				
	1	2	3	4	5
< 10 000	0	0	0	0	0
10 000 – 20 000	0	0	0	0	0
20 000 – 30 000	2	0	0	0	0
30 000 – 40 000	4	2	0	0	0
40 000 – 50 000	5	3	1	0	0
50 000 – 60 000	6	4	2	0	0
> 60 000	7	5	3	1	0

- The taxpayer can also obtain a standard abatement for childminding expenses of EUR 3 600 per year. In this case the taxpayer has to renounce to the abatement for inevitable extraordinary charges for child care expenses. The standard abatement cannot exceed the amount of the real expenses nor EUR 300 per month.

Tax credits:

- As from 1 January 2008 the income tax liability of a taxpayer with a dependent child is no more reduced by EUR 900 per child, up to the total amount of tax due. This child tax credit is paid out by the National Family Benefits Administration. This implies that specific tax classes for taxpayers with dependent children are abolished.
- Wage-earners and pensioners receive tax credit of EUR 300 per annum.
- Single-parents receive tax credit of EUR 750 per annum.

10.1.2 *The definition of taxable income*

The definition depends on family type, see section 10.1.3.

Taxable income is rounded to the nearest lower multiple of EUR 50 before applying the tax schedule.

10.1.3 The tax schedule

Tax brackets have been linearly increased by 9 % as from 1 January 2009

Income tax is determined on the basis of the following schedule (amounts in euros):

0 % for the portion of income less than	11 265		
8 % for the portion of income between	11 265,00	and	13 173,00
10 % for the portion of income between	13 173,00	and	15 081,00
12 % for the portion of income between	15 081,00	and	16 989,00
14 % for the portion of income between	16 989,00	and	18 897,00
16 % for the portion of income between	18 897,00	and	20 805,00
18 % for the portion of income between	20 805,00	and	22 713,00
20 % for the portion of income between	22 713,00	and	24 621,00
22 % for the portion of income between	24 621,00	and	26 529,00
24 % for the portion of income between	26 529,00	and	28 437,00
26 % for the portion of income between	28 437,00	and	30 345,00
28 % for the portion of income between	30 345,00	and	32 253,00
30 % for the portion of income between	32 253,00	and	34 161,00
32 % for the portion of income between	34 161,00	and	36 069,00
34 % for the portion of income between	36 069,00	and	37 977,00
36 % for the portion of income between	37 977,00	and	39 885,00
38 % for the portion of income exceeding	39 885,00		

- Single persons' taxable income is taxed directly using the schedule.
- For couples taxable income is first halved. The tax liability is then calculated as for single persons, but the tax actually paid is double this amount (tax class 2).

- For widow(er)s, taxpayers with a dependent child allowance and persons over 64 years of age (class 1a), tax is calculated as follows: the schedule is applied to adjusted taxable income reduced by half of the difference between that amount and EUR 45 060, with the marginal tax rate capped at 38%.
- Note that there is a 2,5 per cent surtax on central government income tax liability, but no local tax is paid by the worker.

10.2 *Treatment of family income*

Spouses and partners are taxed jointly on their income.

10.3 Social security contribution schedule

Wage earners pay 2,95 per cent sickness² and 8 per cent age pension scheme contributions on their gross earnings between EUR 1 682,76 per month (EUR 20 193,12 per year) and EUR 8 413,8 per month (EUR 100 965,6 per year). For replacement earnings, sickness insurance contribution rate is 2,70 per cent. Long term care insurance is financed by special contribution of 1,4 per cent levied on professional earnings, replacement earnings and income from property (an amount of 1/4 of the social minimum reference salary is not taken into account for (EUR 420,69) .

² Unification of legal status of wage earners

The generalization of the continued pay in case of sickness

Before 1.1.2009, private sector manual wage earners (workers) did not benefit from the continued pay in case of sickness, health insurance intervening on the first day. The system applied to private employees (non manual wage earners) was different and included a period of continuation of pay of fifteen weeks in average, during which wages were maintained in full by the employer, health insurance taking over payment for the remainder of the period of compensation.

From January 1st, 2009, the continuation of the wage is generalized to all private sector wage earners. It follows a model similar to that in effect for private employees before 2009: The average employer compensates the first thirteen weeks of sickness, health insurance intervening for the remaining compensation period.

Mechanism of the continued pay in case of sickness

On the one hand, the generalization of the continued pay in case of sickness increased the obligation of employers occupying former "manual workers". On the other hand, contributions paid by the former « manual workers » and their employers for the management of cash benefits for health insurance decreased.

The generalization of wage continuation leads to a reduction of the obligation of employers occupying former « private employees » and a rise of the contributions paid by former employees and their employers for the management of cash benefits for health insurance.

For 2009, the health care contribution for payment in kind is 2,70 % and for sickness benefit 0,25%.

Creating an Employers' mutual insurance company and a "worker differential rate" (différentiel ouvrier)

To meet the sectoral imbalances in terms of absenteeism and guarantee a better distribution in the risk for the first 13 weeks to be financed by employers, a mutual insurance company is created. The institution is attached to the Social Security. It reimburses 80% of the amount of financial compensation payable by the employer.

The Employers' mutual insurance company is financed by:

1. A contribution paid by employers. The contribution rate differs according to risk classes:

Risk class	1	2	3	4
Financial absenteeism rate	<0,75%	<1,75%	<2,75%	>=2,75%
Contribution rate	0,35%	1,44%	1,93%	2,29%

2. The withholding of a "differential worker rate" in its entirety (2,10%) until 2011. This rate is decreasing from 2012 to be zero in 2014. These 2,10% are the difference between the former worker contribution for sickness benefit (2,35%:employee's part) and the new generalized rate of 0,25%.
3. State participation that is increasingly starting in 2012, parallel to the reduction of the "differential worker rate" and will reach 0,3% of the salary contribution base in 2014.

Compulsory social security contributions to schemes operated within the government sector

	Employer's share (%)	Employee's share (%)	Ceiling on contributions (in euros)
a) Pension and disability insurance	8	8	(8 413,8 x 12 =) 100 965,6
b) Health insurance	2,95	2,95	Same ceilings as a)
1. payment in kind	2,70	2,70	
2. sickness benefit	0,25	0,25	
c) Dependency insurance		1,40	Monthly allowance: 420,69*
d) Health in the workplace	0,11		
e) Accident insurance	0,86		Rate varies according to the probability of accidents (0.43 – 5,92) ³
f) Employers' mutual insurance company			Rate varies according to the financial absenteeism rate

(Monthly allowance: EUR 420,69 = 0,25 social minimum salary / 12)

The unemployment insurance scheme is financed through a 2,5 per cent surtax on central government income tax liability.

11. Part-time work

11.1 *Special benefit rules for part-time work*

Unemployment insurance benefits are reduced if part-time earnings exceed a certain percentage of the social minimum wage. Part of the earnings from part-time employment are disregarded in the social assistance means test for a period of 2 years.

11.2 *Special tax and social security contribution rules for part-time work*

None.

12. Policy developments

12.1 *Policy changes introduced during 2009*

Statut unique (Loi du 13 mai 2008)

Chèque-service (Règlement grand-ducal du 13 février 2009)

³ For accident insurance, the employer's share is assumed to be 0.86%.

12.2 *Policy changes announced in 2009*

ANNEXE

The tariffs the parents have to pay are defined in the registration contract which is drawn up by the local municipality responsible. It is based on the household income. It is taken as being the taxable income, as certified by the most recent tax return or the last three months' payslips accompanied by a certificate confirming that the person concerned is not subject to any duty to submit a tax return or in the absence of these, any other document stating the current income. Equal consideration is given to couples, whether they are married traditionally or by means of the Civil Solidarity Pact. The birth order of the beneficiary child considered with regard to the parental contribution corresponds to the birth order in relation to brothers and sisters benefiting from family allowance.

The parents' financial contribution, meaning the rates per hour for childcare services are calculated following this scale:

Catégorie de bénéficiaires	Rang enf.	Tarif chèque-service	Tarif socio-familial	Plein tarif
Enfants exposés au risque pauvreté	1	0,50	-	7,50
	2	0,30	-	7,50
	3	0,15	-	7,50
	4 +	Gratuit	-	7,50
Revenu ménage < 1,5 x SSM	1	0,50	0,50	7,50
	2	0,30	0,30	7,50
	3	0,15	0,15	7,50
	4 +	Gratuit	Gratuit	7,50
Revenu ménage < 2,0 x SSM	1	1,00	1,50	7,50
	2	0,70	1,10	7,50
	3	0,35	0,55	7,50
	4 +	Gratuit	Gratuit	7,50
Revenu ménage < 2,5 x SSM	1	1,50	2,50	7,50
	2	1,10	1,80	7,50
	3	0,55	0,90	7,50
	4 +	Gratuit	Gratuit	7,50
Revenu ménage < 3,0 x SSM	1	2,00	3,50	7,50
	2	1,50	2,60	7,50
	3	0,75	1,30	7,50
	4 +	Gratuit	Gratuit	7,50
Revenu ménage < 3,5 x SSM	1	2,50	4,50	7,50
	2	1,80	3,30	7,50
	3	0,90	1,65	7,50
	4 +	Gratuit	Gratuit	7,50
Revenu ménage < 4,0 x SSM	1	3,00	5,50	7,50
	2	2,20	4,10	7,50
	3	1,10	2,05	7,50
	4 +	Gratuit	Gratuit	7,50
Revenu ménage < 4,5 x SSM	1	3,00	6,50	7,50
	2	2,20	4,80	7,50
	3	1,10	2,40	7,50

	4 +	Gratuit	Gratuit	7,50
Revenu ménage => 4,5 x SSM	1	3,00	7,50	7,50
	2	2,20	5,60	7,50
	3	1,10	2,80	7,50
	4 +	Gratuit	Gratuit	7,50
Sans indication sur le revenu	1	3,00	7,50	7,50
	2	2,20	5,60	7,50
	3	1,10	2,80	7,50
	4 +	Gratuit	Gratuit	7,50

The current value of the SSM (salaire social minimum) is 1682,76 €

Example:

The tariff per hour for a second child in a household earning 3500 €/month will be as follows:

3 first hours/week are free of charge
4-24 hours/week: 1.10€(Service voucher tariff)
25-60 hours/week: 1.80€(Socio-family tariff)
>60 hours: 7,5€ (full tariff)

Any credit for hours per week cannot be carried forward from one week to another.

Children exposed to the risk of poverty and/or threatened by social exclusion are priority beneficiaries of the "childcare-service voucher" scheme. These are, on the one hand, children living in households in receipt of the minimum wage. Priority is also extended to children exposed to the risk of poverty, as identified by local towns or, alternatively, by the relevant departments of the Ministry for Family and Integration.

Children exposed to the risk of poverty are entitled to a higher level of benefit. The number of hours doesn't change.

Enfants exposés au risque de pauvreté	1	0,50	-	7,50
	2	0,30	-	7,50
	3	0,15	-	7,50
	4 +	Gratuit	-	7,50

children living in households in receipt of the minimum wage

25 first hours/week are free of charge
26-60 hours/week: 0.50 €(Service voucher tariff)=> second child 0.30 etc
>60 hours: 7,5 € (full tariff)

children exposed to the risk of poverty

15 first hours/week are free of charge
16-60 hours/week: 0.50 €(Service voucher tariff)
>60 hours: 7,5 € (full tariff)

The criteria for identifying children exposed to the risk of poverty are those living in households where there is a low level of income, excessive indebtedness, extraordinary costs, illness of one of the household members and the best interests of the child (principle stipulated by article 3 of the UN Convention on the Rights of the Child, 1989).

Methods of identification are as follows:

- initiative from a request for intervention by the relevant local Commune, school, a psychosocio, socio-educational or medical-social department, general practitioner, parents or legal guardians, or from the child themselves
- favourable opinion of a psycho-social, socio-educational or medical-social department
- motivation and documentation of the relevant decision

The College of Aldermen identifies the relevant department or division responsible for this purpose.