

# Tax credit for overtime: Employers, what do you need to know?

With the participation of our guest speaker  
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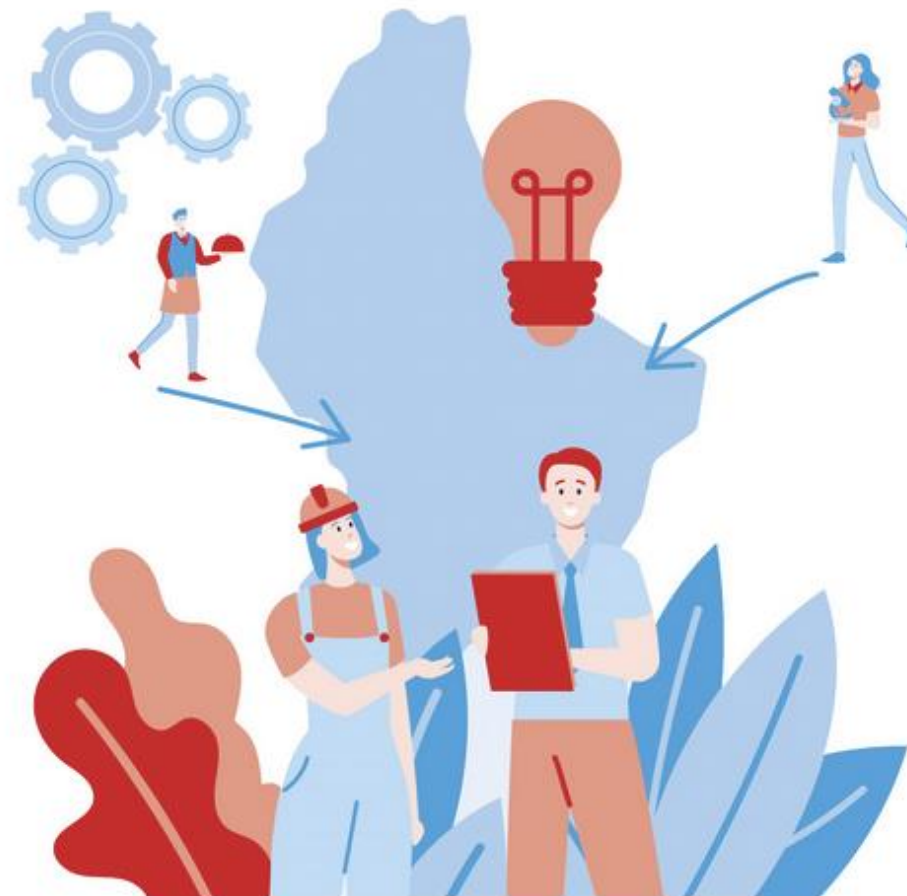


**BREUER & OTTO**  
PERSONAL TAX

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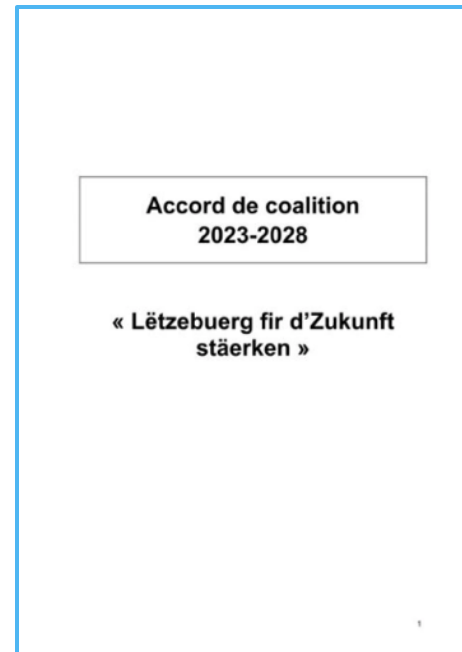
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# Introduction



# Talent attraction at the heart of concerns



# What is the tax credit for overtime?



# What is the TCO?

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The tax credit for overtime (TCO) aims to compensate, at least partially, the taxation in the country of residence of non-resident employees, on the remuneration received for overtime worked in Luxembourg.

⇒ **The TCO amounts to 25% of the overtime remuneration (above €1,200), with a maximum of €700.**

The TCO has been applicable since January 1, 2024.

# What are the application conditions?

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## Eligible employees

The TCO is intended only for non-resident employees who carry out overtime on Luxembourg territory for a Luxembourg employer and fulfilling the following conditions:

- ✓ Perform a salaried activity taxable in Luxembourg (excluding the civil servant status, State and municipality civil servants employees or trainees),
- ✓ Be personally affiliated, for the gross remuneration related to overtime, as compulsory insured person to a Luxembourgish social security scheme (or foreign covered by a bi- or multilateral social security instrument).

## ● ● ● Other conditions to fulfil

The eligible employee must be a resident of a state which concluded a double tax treaty with Luxembourg, and which assigns to Luxembourg the right to tax salaries,

- ✓ The said agreement must provide that the state of residence of the eligible employees (i) eliminates double taxation by applying a tax credit for remuneration related to overtime worked in Luxembourg, or (ii) provides that the state of residence of the eligible employees taxes when the remuneration for overtime is not effectively taxed in Luxembourg, and
- ✓ The domestic law of the state of residence of the eligible employees does not contain a provision expressly granting a partial or total exemption, or any other tax relief, for overtime.



# How to compute the tax credit for overtime?





# How is the TCO calculated?



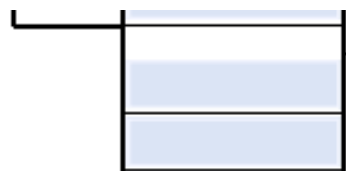
## Amounts of remuneration salary

The amount of the TCO varies depending on the gross remuneration received by eligible employees for overtime worked in Luxembourg.

The gross remuneration includes the base salary and the corresponding salary increase (i.e., 140%).



24	C) Befreiungen
25	1. Löhne, die für Überstunden gezahlt werden
26	Lohnzuschläge



## Amount of the TCO

The maximum of TCO amounts to €700 per year, per eligible employee.

Below €1,200, the TCO amounts to €0.

For gross overtime remuneration between €1,200 and €4,000, the TCO is calculated as follows:

$$\Rightarrow (\text{gross overtime remuneration} - \text{€1,200}) \times 25\%$$

# What are your obligations as an employer?

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The employer has no specific formalities to complete in order for their employees to benefit from the TCO.

The concerned employees, on the other hand, must request the application of the TCO when filing their annual tax return (taxation by assessment) or when submitting their annual adjustment form.

The TCO is deducted from the final tax due by the eligible employee for the concerned tax year. If there is not enough tax, the TCO is credited to the taxpayer after the end of the tax year by the tax administration as part of the assessment. The latter may request all supporting documents from eligible employees to confirm that the conditions for granting the TCO are fulfilled.

# What are your obligations as an employer?

DIVERSE ANTRÄGE		DD	
Aktennummer <input type="text"/> Jahr 2024 <input type="text"/>		Steuerpflichtiger <input type="text"/> Ehepartner/Partner <input type="text"/>	
C/A/I	Antrag auf Abschreibung für Abnutzung gemäß Artikel 32, Absatz 1a L.I.R. (der Antrag muss durch eine Steuerbilanz belegt sein und der Betrag der Abschreibung für Abnutzung, welcher nicht in der Steuerbilanz 2024 abgesetzt ist, muss angegeben werden)	Gewinn aus Gewerbebetrieb <input type="checkbox"/> 1801	<input type="checkbox"/> 1802
		Gewinn aus Land- und Forstwirtschaft <input type="checkbox"/> 1803	<input type="checkbox"/> 1804
		Gewinn aus der Ausübung eines freien Berufs <input type="checkbox"/> 1805	<input type="checkbox"/> 1806
	Betrag der Abschreibung für Abnutzung, welcher nicht in der Steuerbilanz 2024 abgesetzt ist	<input type="text"/> 1807	<input type="text"/> 1808
	Betrag, der in der Steuerbilanz 2024 abgezogenen, zeitversetzten Abschreibung für Abnutzung	<input type="text"/> 1809	<input type="text"/> 1810
C	Antrag auf <b>Steuergutschrift für Investitionen</b>	<input type="checkbox"/> 1811 Übertrag laut Feld 213, Vordruck 800	<input type="text"/> 1812 <input type="text"/> 1813 1023 1812+1813 1024
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	<input type="checkbox"/> 1823 Die Bescheinigung des Ministers für Landwirtschaft, Weinbau und die Entwicklung des ländlichen Raumes ist beizufügen, soweit sie unter die Bestimmungen von Artikel 37 des abgeänderten Gesetzes vom 18. April 2008 fallen. Anlage 146 ist beizufügen, soweit sie unter die Bestimmungen von Artikel 53 des abgeänderten Gesetzes vom 27. Juni 2016 fallen.	<input type="text"/> 1824 <input type="text"/> 1825 0668 1824+1825 0669	<input type="text"/> 1826 <input type="text"/> 1827 0668 1826+1827 0669
C/A/ISP	Antrag auf <b>Steuergutschrift für Steuertabelle ("CIB")</b> :	<input type="checkbox"/> 1828	<input type="checkbox"/> 1829
S	Antrag auf <b>Steuergutschrift für Überstunden ("CIHS")</b> :	<input type="checkbox"/> 1828	<input type="checkbox"/> 1829



Tax return forms foresee a new annex to request TCO: DD ("Diverses Demandes" – "Diverse Anträge")

# What are the tax consequences for the employees?



# Example 1 : Remuneration for overtime of €4,000

Three employees, single and without children, reside in Germany and work in a Luxembourgish company.

These employees receive a total annual gross remuneration (including overtime) amounting to:

- €42,000,
- €50,000, and
- €75,000 respectively.

They do not receive any other income besides their Luxembourgish salary.

These employees perform overtime in Luxembourg for which they each receive either an annual gross remuneration of €4,000.

Remuneration for overtime of €4,000			
	Salary (€42,000€)	Salary (€50,000)	Salary (€75,000)
Total gross remuneration	€42,000	€50,000	€75,000
Basic salary	€38,000	€46,000	€71,000
<b>Salary for overtime (140%)</b>	<b>€4,000</b>	<b>€4,000</b>	<b>€4,000</b>
Taxable amount in Germany	€4,000	€4,000	€4,000
Deductions in Germany :			
• Income related expenses (lump sum €1.230) + lump sum special expenses €36	€1,266	€1,266	€1,266
• Luxembourg care insurance	€464	€576	€926
Net taxable amount in Germany	€2,270	€2,158	€1,808
German tax (tax class 1)	€425	€500	€540
Proposed TCO amount	€700	€700	€700
<b>(Net) Tax related to overtime</b>	<b>€-</b>	<b>€-</b>	<b>€-</b>

## Example 2 : Remuneration for overtime of €8,000

Three employees, single and without children, reside in Germany and work in a Luxembourgish company.

These employees receive a total annual gross remuneration (including overtime) amounting to:

- €42,000,
- €50,000, and
- €75,000 respectively.

They do not receive any other income besides their Luxembourgish salary.

These employees perform overtime in Luxembourg for which they each receive either an annual gross remuneration of €8,000.

Remuneration for overtime of €8,000			
	Salary (€42,000€)	Salary (€50,000)	Salary (€75,000)
Total gross remuneration	€42,000	€50,000	€75,000
Basic salary	€34,000	€42,000	€67,000
<b>Salary for overtime (140%)</b>	<b>€8,000</b>	<b>€8,000</b>	<b>€8,000</b>
Taxable amount in Germany	€8,000	€8,000	€8,000
Deductions in Germany :			
• Income related expenses (lump sum €1.230) + lump sum special expenses €36	€1,266	€1,266	€1,266
• Luxembourg care insurance	€448	€560	€910
Net taxable amount in Germany	€6,286	€6,174	€5,824
German tax (tax class 1)	€1,285	€1,430	€1,740
Proposed TCO amount	€700	€700	€700
<b>(Net) Tax related to overtime</b>	<b>€585</b>	<b>€730</b>	<b>€1,040</b>



# Remarks

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The calculations relating to taxation in Germany are provided for information purposes only and are based on simplified examples.

These calculations have been based on :

- the tax scale applicable in Germany in 2024 (including church tax),
- gross remuneration excluding all social security considerations (with the exception of 'Krankenversicherung ohne Arbeitgeberzuschuss'), and
- the various tax surcharges.

No tax credit other than the TCO, nor any allowance or deduction (apart from the €1,266 « lump sum deduction » retained for Germany and the Luxembourg care insurance deductible in Germany) has been taken into account.

It should also be noted that, for each German cross-border commuter taxpayer, the €1,266 (« lump sum deduction ») deduction is applied only once per tax year and to all income taxable in Germany. Therefore, in the case of taxable income other than overtime worked in Luxembourg, the tax deducted in Germany could be different.

# Thank you for your attention !

For further information on this topic, feel free to contact  
your usual contact person with one of our members.



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