

Occupational pension scheme for independent directors

As of 1 January 2019, LALUX offers a new solution for independent directors in order to pay less taxes on their income

In a nutshell:

- The retirement premium is tax deductible up to a maximum amount of 20% of the net income resulting from the independent director's activity (special expenses)
- An upfront taxation of 20,9% on the premium
- The benefits are income tax free for Luxembourgish residents
- No minimal duration of the contract required
- The premium is freely set every year by the independent director

The law of 1 August 2018 bearing modification of the modified law of 8 June 1999 regarding occupational pension scheme has **enlarged the scope of occupational pension schemes to free lancers and self employed persons.**

This new law will be applicable as of 1 January 2019. So from this date, the freelancer and the self-employed persons will be able to subscribe, at last, to a registered occupational pension scheme and **benefit from similar advantages as the employees affiliated to a second pillar group insurance.**

This new law comes within the scope of the global pension reform in Luxembourg. We will simply remind here the changes introduced in 2017 with regard to the individual pension saving insurances (third pillar) which foresee from now on a maximum deductible amount of 3 200 € per person without age conditions.

Although few elements of the new law still need to be clarified, we can already present you the main specifications of the registered occupational pension scheme we developed: **lalux-Safe Future.**

1. *Flexible*

You freely set the amount of the annual premium that you want to pay in the pension scheme. This premium is tax deductible up to a maximum amount of 20% of your net income as independent director.

The premium can evolve from one year to the other based on the evolution your net income or simply on your own decision.

2. *Tax efficient*

The amount of the annual premium is tax deductible, with respect to the limit mentioned above, as "special expenses" (beside LIR 111bis products).

This premium is subject to a flat rate tax of 20% and a remunerative fee of 0,90% which are not tax deductible.

However in exchange for this taxation, the benefits paid at retirement age are income tax free in Luxemburg (except the deduction of the dependency contribution that amounts to 1,4% now).

3. *Security or performance*

Either you decide to invest the net premium in a traditional insurance product with a guaranteed interest rate increased with an optional profit sharing;

or if you are looking for higher returns, you can invest all or a part of the net premium in a panel of funds. Please be reminded that investments in funds have no guaranteed return as mentioned above.

4. *Safety net for family members*

An effective financial planning must include the protection of the family members of the independent director against the hazards of life.

lalux-Safe Future includes risk covers that you can subscribe to!

- In case of death, on top of the accumulated savings, you can foresee the payment of a complementary lump sum in favor of the designated beneficiaries.
- In case of disability, the payment of an annuity in order to protect your standard of living and allowing you to cope with your fixed expenses can also be foreseen.
- Finally, the premium invoiced for these optional covers can also be deducted as "special expenses" without any limit; this will once again reduce the income taken into account for the tax calculation.

So, as of **1 January 2019**, the independent directors who had no solution in the past in order to finance their retirement pension within the second pillar (professional activity) will be able to optimize their income by deducting the insurance premium up to a maximum of 20% of the net income resulting from their activity.

Special conditions for ILA members

1. *Reduction of the entry fees on the retirement premiums*
2. *Reduction of the premium for the death and disability covers*

Interested?

Please feel free to contact your [LALUX agent](#) or [BCEE advisor](#) or call the 4761-6250.