

How to reduce your taxable income?

Taxation





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Are you trying to increase your buying power by reducing your taxes?

The Luxembourg tax system allows you to do this via special deductible expenses.

With this in mind, ING Luxembourg offers you a broad range of tax-deductible products which allow you to reduce your taxes:

- ING Personal loan
- Outstanding balance life assurance and insurance
- Supplementary pension insurance
- Building savings contract

What's more, you can also deduct any debit interest paid on your real estate loans.

If you'd like to optimise your tax declaration and choose the products which are best suited to you, we are at your service. Our advisors can outline our various products and find a tailor-made solution with you during a personalised meeting.

How can you make the most of tax deductions?

Tax deductions are given to Luxembourg taxpayers and to non-residents «who are equivalent to Luxembourg residents».

By «equivalent», the law means non-resident taxpayers who are taxable in Luxembourg for at least 90% of the total of their global income. Belgian residents can take advantage of the same equivalence system; as long as more than 50% of professional income is taxable in Luxembourg. Non-residents who want to make use of the equivalent status must declare all their revenues in Luxembourg. According to your personal situation, you can choose from the following deduction options:

SPECIAL EXPENSES

1. Debit interest

Maximum deduction of €672* per person in the same household (for a spouse and for each child taxed jointly) for debit interest linked to a personal loan (purchase of movable goods, car financing, debit interest on your current account or VISA account)

• The ING Personal Loan

«An essential tool when financing your various projects»:

- constant monthly repayments over a period of between 6 and 60 months
- a fixed rate for the term of the loan
- special and particularly beneficial conditions
- fast access to your loan
- a safe loan owing to our «Debt Balance Insurance»
- loan interest and Debt Balance Insurance premiums are tax-deductible (different limits)

2. Insurance contributions and premiums

Deduction ceiling: Maximum deduction of €672* per person in the same household for life assurance, personal third party liability, vehicle third party liability, health, accidents, etc.

One-time premiums: + €6,000 or €12,000 + €1,200 per child + age increase after the age of 30 in the event of Debt Balance Insurance (cf. tables) for life insurance purchase to ensure the payment of a loan granted in order to purchase main residence.

* Deductions of insurance premiums and interest payments under personal loans are grouped together for the purposes of calculating the €672 cap.

Standard deduction ceiling in terms of insurance:

	Single	Married
Taxpayer	€672	€1,344
Taxpayer + 1 child	€1,344	€2,016
Taxpayer + 2 children	€2,016	€2,688
Taxpayer + 3 children	€2,688	€3,360
etc.	additional €672	additional €672

Increase/after increase for one-time premium:

Family situation	Insurance ceiling	Maximum increase	After increase ¹ (per year after the age of 30, and per taxpayer)
Single	€672	€6,000	€480
Married couple ²	€1,344	€6,000 ³	€480
Married couple ² + 1 child	€2,016	€6,000 ³ + €1,200	€576
Married couple ² + 2 children	€2,688	€6,000 ³ + €2,400	€672
Married couple ² + 3 children	€3,360	€6,000 ³ + €3,600	€768

¹ 8% increase per year after the age of 30 at the time the policy is taken out, with the stipulation that this increase may not exceed 160% of the maximum increase. The additional amount per child is only given to one of the parents.

² Or partners taxed jointly.

³ If two «partnered spouses» are to be covered, whether in just one policy or in two, the amounts given above are added together for each «partnered spouse». The additional amount per child is only given to one of the parents.

ING Luxembourg in partnership with Baloise Assurances can meet all your insurance needs.

3. Old-age pension schemes (Supplementary pension)

Maximum deduction of between €3,200 per taxpayer for supplementary pension insurance

• **Génération Pension Universal Life**

«Pay less tax today and build up your pension of tomorrow»:

Génération Pension Universal Life is a life Insurance policy developed in partnership with the Bâloise Vie Luxembourg S.A. insurance company.

The objective of Génération Pension Universal Life is to build up an individual supplementary pension while still taking advantage of tax breaks.

The policy must defer redemption for at least 10 years.

At the earliest, this service is payable upon maturity after age 60 and before age 75.

On maturity, you may choose how the benefits are paid:

- As a monthly life annuity (50% of which is exempt from tax, with the balance taxed at the standard rate); or
- As a lump sum (taxable at 50% of the overall applicable tax rate); or
- A combination of the above

Tax deductions are one thing, but investing your money is another thing altogether. To be able to offer you greater flexibility, you may structure your product using two types of investment vehicles:

• **Sub-fund with guaranteed yield**

If you prefer the security of a guaranteed rate of return, to which profit-sharing bonuses can potentially be added, this sub-fund is the right choice for you.

• **Sub-fund with investment funds**

If you would like to optimise the return on your investment on a long-term basis and if you can accept the risk of financial market fluctuations, this sub-fund is more suitable for you. You can define your own investment strategy by choosing from a selection of our EUR denominated capitalisation SICAVs, while ensuring compliance with all investment criteria stipulated by law.

You can also combine the two sub-funds described above in the same Génération Pension Universal Life contract.

Age of the insured party	Maximum share of underlying assets invested in equities
Less than 45 years of age	60%
Between 45 and 49 years of age	40%
Between 50 and 54 years of age	30%
More than 54 years of age	20%

4. Home savings

Maximum tax deduction for special expenses of between €672 and €1,344 per member of the household under the home savings scheme.

Age *	Maximum annual deductible amount
Aged between 18 and 40 at the beginning of the tax year	€1,344
In other cases	€672

For example, taxpayers A (42 on 1/1/2017) and B (35 on 1/1/2017) are married with one child, and A receives the family allowances. They will be entitled to the maximum deductible home savings scheme cap of 3x €1,344, i.e. a total of €4,032.

▪ Home savings policy

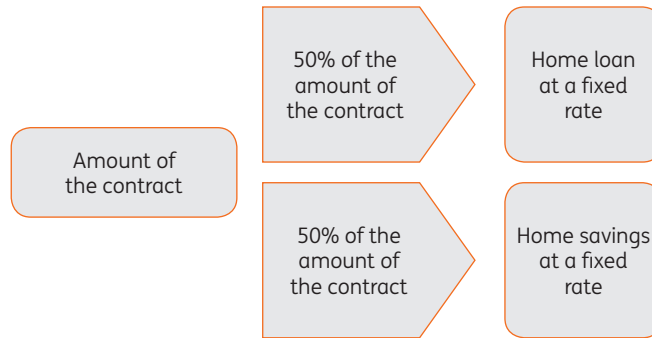
Luxembourg tax laws authorise the deduction of contributions made to building and loan associations.

ING Luxembourg offers you the home savings policy in partnership with Bausparkasse Schwäbisch – Hall.

In addition to the tax breaks offered by the home savings policy, it is the ideal policy to build up a nest-egg with a view to the purchase, refurbishment or modernisation of a principal dwelling.

* Where taxpayers are subject to joint taxation, the upper cap is applied by reference to the age of the younger adult subscriber.

(Simplified) representation of how the home savings policy functions:



To ensure that current and future payments under the home savings scheme remain deductible, these funds must be used in the construction, acquisition or conversion of a principal dwelling.

After the funds have been allocated, the subscriber has the option of agreeing to a preferential fixed-rate mortgage loan, fixed upon subscription of the policy.

DEBIT INTEREST RELATING TO THE MAIN RESIDENCE

1. Preamble

Debit interest relating to the main residence are deductible in connection with «Net income resulting from the rental of assets». This is the only income category in which the tax authority allows the deduction of negative income (rental loss). The tax authority thus allows repayment of this loss with the other categories of income.

2. Ceilings of deductions

Prior to the building's occupation, debit interest is deductible with no ceiling. In the same way, a taxpayer who buys land to build his/her house on said may fully deduct any debit interest during the building's construction period, until he/she actually occupies the house.

It should be noted that mortgage registration costs are also deductible.

From the time when the asset is occupied, debit interest is deductible up to the authorised ceiling.

The amounts below are increased by the same amount for the spouse, partner and for each child who is part of the household.

Annual ceilings for deductible passive interest	Amounts
During the first year of occupation and over the subsequent 5 years	€2,000
For the next 5 years	€1,500
Over subsequent years	€1,000

3. Notes

• ING Home Loan

The ING home loan is the ideal way to finance

- the purchase of land
- the acquisition of a real estate asset
- building or modernisation

ING lets you choose either a variable rate, a fixed rate or a reviewable fixed rate for a home loan up to 30 years.

ING can also offer you a financing package in partnership with Bausparkasse Schwäbisch – Hall.

In addition, in connection with a mortgage loan, it is possible to optimise the deduction options, by combining debit interest in respect of the building, debit interest in respect of personal loans, building savings, insurance and even single premium debt balance insurance.

Our relationship managers are at your disposal to give you advice regarding the full range of home insurance products (Debt Balance Insurance, Fire Insurance), government assistance, taxation and so on.

The information contained in this document must be considered as non-exhaustive and given purely for information only.

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