Session ordinaire 2019-2020

CG/PG

P.V. FI 17

Commission des Finances et du Budget

Procès-verbal de la réunion du 03 décembre 2019

Ordre du jour :

1. Approbation du projet de procès-verbal de la réunion du 18 novembre 2019

2. 7492 Projet de loi portant approbation de la Convention entre le Grand-Duché de Luxembourg et la République Argentine pour l'élimination de la double imposition en matière d'impôts sur le revenu et sur la fortune et pour la prévention de l'évasion et de la fraude fiscales, et le Protocole y relatif, faits à Washington, le 13 avril 2019

- Désignation d'un rapporteur
- Présentation du projet de loi
- Examen de l'avis du Conseil d'État

3. 7500 Projet de loi concernant le budget des recettes et des dépenses de l'État pour l'exercice 2020 et modifiant :
1° la loi générale des impôts modifiée du 22 mai 1931 (« Abgabenordnung »);
2° la loi du 27 juillet 1938, portant création d'un fonds de réserve pour la crise;
3° la loi modifiée du 4 décembre 1967 concernant l'impôt sur le revenu ;
4° la loi modifiée du 10 mars 1969 portant institution d'une inspection générale des finances ;
5° la loi modifiée du 12 février 1979 concernant la taxe sur la valeur ajoutée ;
6° la loi modifiée du 24 décembre 1996 portant introduction d'une bonification d'impôt sur le revenu en cas d'embauchage de chômeurs ;
7° la loi modifiée du 28 avril 1998 portant
a) harmonisation de l'enseignement musical dans le secteur communal ;
b) modification de l'article 5 de la loi du 24 mai 1989 sur le contrat de travail ;
c) modification de la loi modifiée du 22 juin 1963 fixant le régime des traitements des fonctionnaires de l'Etat ;
8° la loi électorale du 18 février 2003 telle que modifiée ;
9° la loi modifiée du 17 décembre 2010 fixant les droits d'accise et les taxes assimilées sur les produits énergétiques, l'électricité, les produits de tabacs manufacturés, l'alcool et les boissons alcooliques ;
10° la loi modifiée du 29 avril 2014 concernant le budget des recettes et des dépenses de l'État pour l'exercice 2014 ;
11° la loi modifiée du 25 mars 2015 fixant le régime des traitements et les conditions et modalités d'avancement des fonctionnaires de l'État ;
12° la loi du 27 mars 2018 portant organisation de la sécurité civile ;
13° la loi du 10 août 2018 portant organisation de l'Administration de l'enregistrement, des domaines et de la TVA
Rapporteur : Monsieur Yves Cruchten

Présentation de l'avis de la Commission européenne sur le projet de plan budgétaire du Luxembourg

4. Divers

*

<u>Présents</u> : M. Guy Arendt, M. André Bauler, M. Alex Bodry, M. Sven Clement, M. Yves Cruchten, Mme Joëlle Elvinger, Mme Stéphanie Empain remplaçant M. François Benoy, M. Franz Fayot, Mme Josée Lorsché, M. Laurent Mosar, M. Gilles Roth, M. Marco Schank remplaçant Mme Martine Hansen,

M. Carlo Fassbinder, Directeur de la Fiscalité (ministère des Finances)
M. Max Berend, du ministère des Finances
M. Paul Roller, de l'Administration des Contributions Directes (ACD)
Mme Caroline Guezennec, de l'Administration parlementaire

<u>Excusés</u> : M. François Benoy, Mme Martine Hansen, M. Roy Reding, M. Claude Wiseler

*

<u>Présidence</u> : M. André Bauler, Président de la Commission

*

1. Approbation du projet de procès-verbal de la réunion du 18 novembre 2019

Le projet de procès-verbal est approuvé.

2. 7492 Projet de loi portant approbation de la Convention entre le Grand-Duché de Luxembourg et la République Argentine pour l'élimination de la double imposition en matière d'impôts sur le revenu et sur la fortune et pour la prévention de l'évasion et de la fraude fiscales, et le Protocole y relatif, faits à Washington, le 13 avril 2019

<u>Mme Joëlle Elvinger</u> est nommée rapporteur du projet de loi sous rubrique.

Le représentant du ministère des Finances présente le contenu du projet de loi tel qu'il est décrit dans l'exposé des motifs et le commentaire des articles de la Convention du document parlementaire n°7492. Il précise que la Convention présente un certain nombre d'avantages. Entre autres, il est donné accès à la Convention aux fonds d'investissement. Ainsi, les revenus provenant de l'investissement d'un fonds luxembourgeois en Argentine sont imposés aux taux de retenue à la source plus favorables prévus dans la Convention. La définition de l'établissement stable retenue dans la Convention est moins extensive que celle contenue dans le dernier modèle de convention fiscale de l'OCDE. Par ailleurs, la Convention prévoit l'imposition des pensions légales dans l'Etat de la source et contient une clause de la nation la plus favorisée pour certaines dispositions.

Il est rappelé que les versements de dividendes et d'intérêts par un débiteur luxembourgeois à un bénéficiaire argentin ne sont en principe, sous conditions selon le droit national, pas soumis à une retenue à la source au Luxembourg. Les versements dans le sens opposé sont soumis à la retenue à la source argentine, mais différentes exemptions sont prévues dans la Convention (p. ex. dans les cas d'intérêts de prêts de toute nature qui ne sont pas représentés par des titres au porteur).

En réponse à une question de M. Laurent Mosar, le représentant du ministère des Finances précise que la Convention ne comporte pas de clauses particulières relatives aux règles ou aux contrôles en matière d'anti-blanchiment. Par contre, la Convention permet l'application de différentes règles de l'ATAD 1 (Anti Tax Avoidance Directive), transposée en droit luxembourgeois en 2019.

Suite à une intervention de M. Franz Fayot, le représentant du ministère des Finances cite les noms de quelques entreprises luxembourgeoises déjà actives en Argentine. Aucune d'entre elles n'est issue du secteur financier.

L'avis du Conseil d'Etat est très bref. Il est proposé de reprendre la modification de l'intitulé du projet de loi proposée par le Conseil d'Etat.

L'adoption d'un projet de rapport aura lieu le vendredi 6 décembre 2019.

3. 7500 Projet de loi concernant le budget des recettes et des dépenses de l'État pour l'exercice 2020 et modifiant :
1° la loi générale des impôts modifiée du 22 mai 1931 (« Abgabenordnung ») ;
2° la loi du 27 juillet 1938, portant création d'un fonds de réserve pour la crise ;
3° la loi modifiée du 4 décembre 1967 concernant l'impôt sur le revenu ;
4° la loi modifiée du 10 mars 1969 portant institution d'une inspection générale des finances ;
5° la loi modifiée du 12 février 1979 concernant la taxe sur la valeur ajoutée ;
6° la loi modifiée du 24 décembre 1996 portant introduction d'une bonification d'impôt sur le revenu en cas d'embauchage de chômeurs ;
7° la loi modifiée du 28 avril 1998 portant
a) harmonisation de l'enseignement musical dans le secteur communal;
b) modification de l'article 5 de la loi du 24 mai 1989 sur le contrat de travail ;
c) modification de la loi modifiée du 22 juin 1963 fixant le régime des traitements des fonctionnaires de l'Etat ;
8° la loi électorale du 18 février 2003 telle que modifiée ;
9° la loi modifiée du 17 décembre 2010 fixant les droits d'accise et les taxes assimilées sur les produits énergétiques, l'électricité, les produits de tabacs manufacturés, l'alcool et les boissons alcooliques ;
10° la loi modifiée du 29 avril 2014 concernant le budget des recettes et des dépenses de l'État pour l'exercice 2014 ;
11° la loi modifiée du 25 mars 2015 fixant le régime des traitements et les conditions et modalités d'avancement des fonctionnaires de l'État ;
12° la loi du 27 mars 2018 portant organisation de la sécurité civile ;
13° la loi du 10 août 2018 portant organisation de l'Administration de l'enregistrement, des domaines et de la TVA

M. Yves Cruchten résume l'avis de la Commission européenne (CE) sur le projet de plan budgétaire du Luxembourg, repris en annexe, de la manière suivante :

Le Luxembourg présente un projet de plan budgétaire conforme aux exigences du pacte de stabilité et de croissance pour 2020. Le projet de budget se base sur un taux de croissance de 2,4% en 2020, alors que la CE estime que ce taux atteindra les 2,6%. Selon elle, le scenario macroéconomique sur lequel est construit le projet de budget est plausible pour les années 2019 et 2020. Elle salue l'augmentation nette de 100 euros du salaire des personnes percevant le salaire social minimum et la baisse de l'imposition des sociétés à 17%. La CE rappelle ses recommandations visant à améliorer la viabilité à long terme du système de pension luxembourgeois et la prise de mesures ciblant l'augmentation du taux d'emploi des travailleurs âgés au Luxembourg.

4. Divers

M. Gilles Roth présente très brièvement les trois amendements que son groupe politique déposés au cours de la réunion du 2 décembre 2019 et qui sont repris en annexe.

M. Alex Bodry signale, d'une part, que le programme gouvernemental prévoit l'indexation des prestations familiales et, d'autre part, que la mise en place de la réforme fiscale à venir permettra également d'aborder les aspects de la charge financière que représentent les enfants pour les personnes privées. Il ajoute que le projet de budget 2020 comporte une hausse des avantages en nature destinés aux familles ayant des enfants.

En ce qui concerne l'augmentation de la dotation au « Fonds national de soutien à la production audiovisuelle », prévue dans le projet de budget et que le groupe politique CSV souhaite annuler (amendement 3), il souligne que le fait d'augmenter une dotation ne signifie pas obligatoirement que le montant entier de cette dotation sera utilisé.

Pour l'ensemble de ces raisons, il conclut que le groupe politique LSAP ne peut soutenir les amendements présentés par le groupe politique CSV.

M. André Bauler et Mme Josée Lorsché se rallient à ces arguments et à cette conclusion.

L'amendement 1 est rejeté par 8 voix contre, 3 voix pour (MM. Mosar, Roth et Schank) et une abstention (M. Sven Clement).

L'amendement 2 est rejeté par 8 voix contre, 3 voix pour (MM. Mosar, Roth et Schank) et une abstention (M. Sven Clement).

L'amendement 3 est rejeté par 8 voix contre et 4 voix pour (MM. Clement, Mosar, Roth et Schank).

Luxembourg, le 5 décembre 2019

La Secrétaire-administrateur,
Caroline Guezennec

Le Président de la Commission des Finances et du Budget,
André Bauler

Annexes:

- Commission opinion of 20.11.2019 on the Draft Budgetary Plan of Luxembourg
- Commission staff working document - Analysis of the Draft Budgetary Plan of Luxembourg
- Amendements au projet de loi 7500 déposés par le groupe politique CSV

EUROPEAN
COMMISSION

Brussels, 20.11.2019
C(2019) 9112 final

COMMISSION OPINION

of 20.11.2019

on the Draft Budgetary Plan of Luxembourg

{SWD(2019) 922 final}

COMMISSION OPINION

of 20.11.2019

on the Draft Budgetary Plan of Luxembourg

GENERAL CONSIDERATIONS

1. Regulation (EU) No 473/2013 sets out provisions for enhanced monitoring of budgetary policies in the euro area for ensuring that national budgets are consistent with the economic policy guidance issued in the context of the Stability and Growth Pact and the European Semester for economic policy coordination.

2. Article 6 of Regulation (EU) No 473/2013 requires Member States to submit annually to the Commission and to the Eurogroup a Draft Budgetary Plan presenting by 15 October the main aspects of the budgetary situation of the general government and its subsectors for the forthcoming year.

CONSIDERATIONS CONCERNING LUXEMBOURG

3. On 14 October 2019, Luxembourg submitted the Draft Budgetary Plan for 2020. On that basis, the Commission has adopted the following opinion in accordance with Article 7 of Regulation (EU) No 473/2013.

4. Luxembourg is subject to the preventive arm of the Stability and Growth Pact and should preserve a sound fiscal position, which ensures compliance with its medium-term budgetary objective of a deficit of 0.5% of GDP in 2019 and its revised medium-term budgetary objective of a surplus of 0.5% of GDP as of 2020.[1]

5. According to the Commission 2019 autumn forecast, the Luxembourg economy is expected to grow by 2.6% in both 2019 and in 2020. The Draft Budgetary Plan expects a marginally lower growth in 2019 (2.4%) and in 2020 (2.4%). The composition of growth is different with a somewhat higher contribution of domestic demand to growth in 2019 compared to the Commission forecast. In 2020, the composition of growth is broadly similar in the Draft Budgetary Plan and the Commission forecast. Overall, the macroeconomic scenario underlying the Draft Budgetary Plan is plausible for 2019 and 2020. Luxembourg complies with the requirement of Regulation EU No 473/2013 since the draft budget is based on independently produced macroeconomic forecasts.

6. According to the Draft Budgetary Plan, the general government headline surplus is projected to decline from 2.7% of GDP in 2018 to 2.0% of GDP in 2019 and to 1.2% of GDP in 2020. The Commission 2019 autumn forecast also projects the headline surplus to decline to 2.3% in 2019 and 1.4% in 2020. The difference for 2019 is explained mainly by the higher Commission projection of nominal GDP and lower expenditure growth. In 2020, higher revenue elasticity in the Commission forecast explains the difference. The deterioration of the fiscal position in 2020 is explained by a decline in revenue from direct taxation and an increase in expenditure, only

[1] Council Recommendation of 9 July 2019 on the 2019 National Reform Programme of Luxembourg and delivering a Council opinion on the 2019 Stability Programme of Luxembourg, OJ C 301, 5.9.2019, p. 97.

partially linked to the discretionary fiscal measures adopted by the government. The purchase of a military plane is expected to temporarily increase expenditure by 0.3% of GDP. The recalculated structural balance[2] is estimated at a surplus of 1.3% of GDP in 2019 and of 0.6% of GDP in 2020 in the Draft Budgetary Plan. These projections are broadly in line with the Commission 2019 autumn forecast, which projects a structural surplus of 1.6% in 2019 and of 0.8% in 2020.

7. In 2020, the fiscal stance is expected to be expansionary, based on the structural balance estimates, according to both the Draft Budgetary Plan and the Commission 2019 autumn forecast. Since 2019 several flagship measures have been implemented, in particular the net increase in the minimum social wage by EUR 100 per month since the start of 2019 and a significant increase in investments in areas such as housing, education, research, digitalisation, transportation infrastructure, sustainable energy, culture and social structures. Other measures are aimed at strengthening the competitiveness of the tax framework by lowering the Luxembourg corporate income tax (CIT) rate by one percentage point to 17% and widening the income bracket to which the reduced rate for CIT applies. To keep up with the fight against global warming, an increase in excise duties on diesel and gasoline is also included. These measures combined are expected to lead to a budgetary cost of 0.5% of GDP in 2019. Additional measures are planned in 2020 expected to cost an additional 0.2% of GDP.

Measures to reduce the tax wedge were already introduced by the previous government. The reform of the tax code, which took effect as of 1 January 2017 introduced measures lowering the tax wedge on labour. The reform has made the system more progressive for lower incomes while two new marginal tax rates for the highest incomes have been introduced. Tax credits for employees and pensioners have been increased. The tax measures are expected to preserve competitiveness of the economy and increase households' disposable income and have a positive effect on employment and on growth through higher private consumption.

The Recommendation of 9 July 2019 addressed by the Council to Luxembourg called for an increase of the employment rate of older people with a view to improving the long-term sustainability of the pension system. In order to increase the employment rate of older people, the Council recommendation suggests to enhance their employment opportunities and employability and to further limiting early retirement. In this regard, the Draft Budgetary Plan does not report on new measures compared to those already enumerated in the Draft Budgetary Plan of 5 March 2019.

8. According to the information provided in the Draft Budgetgary Plan, Luxembourg is expected to achieve a recalculated structural surplus of 1.3% of GDP in 2019. This is above its medium-term budgetary objective of a deficit of 0.5% of GDP in 2019. For 2020, based on the information in the Draft Budgetary Plan, the recalculated structural balance is expected to decline to a surplus of 0.6% of GDP, above the revised medium-term budgetary objective of a surplus of 0.5% of GDP. The Commission 2019 autumn forecast broadly points to the same conclusion. Therefore, Luxembourg is expected to be compliant with the requirements under the preventive arm of the Stability and Growth Pact both in 2019 and 2020.

[2] Cyclically adjusted balance net of one-off and temporary measures, recalculated by the Commission using the commonly agreed methodology.

9. Overall, the Commission is of the opinion that the Draft Budgetary Plan of Luxembourg is compliant with the provisions of the Stability and Growth Pact. The Commission invites the authorities to implement the 2020 budget.

The Commission is also of the opinion that Luxembourg has made limited progress with regard to the structural part of the fiscal recommendation cointained in the Council Recommendation of 9 July 2019 in the context of the European Semester and thus invites the authorities to accelerate progress. A comprehensive description of progress made with the implementation of the country-specific recommendations will be made in the 2020 Country Reports and assessed in the context of the country-specific recommendations to be proposed by the Commission in spring 2020.

Done at Brussels, 20.11.2019

For the Commission
Pierre MOSCOVICI
Member of the Commission

EUROPEAN
COMMISSION

Brussels, 20.11.2019
SWD(2019) 922 final

COMMISSION STAFF WORKING DOCUMENT

Analysis of the Draft Budgetary Plan of Luxembourg

Accompanying the document

COMMISSION OPINION

on the Draft Budgetary Plan of Luxembourg

{C(2019) 9112 final}

COMMISSION STAFF WORKING DOCUMENT

Analysis of the Draft Budgetary Plan of Luxembourg

Accompanying the document

COMMISSION OPINION

on the Draft Budgetary Plan of Luxembourg

1. INTRODUCTION

Luxembourg submitted its Draft Budgetary Plan for 2020 on 14 October 2019 in compliance with Regulation (EU) No 473/2013. [1] Luxembourg is subject to the preventive arm of the Pact and should preserve a sound fiscal position which ensures compliance with the medium-term budgetary objective.

Section 2 of this document presents the macroeconomic outlook underlying the Draft Budgetary Plan and provides an assessment based on the Commission 2019 autumn forecast. The following section presents the recent and planned fiscal developments, according to the Draft Budgetary Plan, including an analysis of risks to their achievement based on the Commission 2019 autumn forecast. In particular, it also includes an assessment of the measures underpinning the Draft Budgetary Plan. Section 4 assesses the recent and planned fiscal developments in 2019-2020 (also taking into account the risks to their achievement) against the obligations stemming from the Stability and Growth Pact. Section 5 provides an analysis of implementation of fiscal-structural reforms in response to the latest country-specific recommendations in the context of the European Semester adopted by the Council in July 2019, including those to reduce the tax wedge. Section 6 summarises the main conclusions of the present document.

2. MACROECONOMIC DEVELOPMENTS UNDERLYING THE DRAFT BUDGETARY PLAN

The macroeconomic scenario underlying the Draft Budgetary Plan is based on the ad hoc projections prepared by STATEC in September (see Box 1). This scenario takes into account the most recent revisions from the 2019 Q2 release of the quarterly national accounts, published on 9 October, where estimates of actual GDP growth were set at 3.1% for 2018; which is 0.5 percentage points higher compared with the previous estimate of 2.6%.

Box 1: The macro economic forecast underpinning the budget in Luxembourg

In order to ensure compliance with the requirement of Regulation (EU) No 473/2013, the draft Budget Act to be transmitted to the national parliament should be based on an independently produced macroeconomic forecast.

The macroeconomic scenario underlying the Draft Budgetary Plan, which was submitted on 14 October, is based on ad-hoc projections updated for this particular purpose by the "Direction Etudes, Prévisions et Recherche" of the National Statistical Office, "STATEC", which also provides the

[1] The English version of the Draft Budgetary Plan was summited on 22 October 2019.

methodology for the calculation of the output gap. As stated in its Introduction, the Draft Budgetary Plan is based on the most recent macroeconomic forecasts independently produced by STATEC, as tabled to Parliament on 14 October 2019 by the Government, in line with article 6 of Regulation (EU) No 473/2013.

STATEC is an autonomous entity placed under the authority of the Ministry of Economy. Since 2018, STATEC has been involved in the process of adapting the public national accounts, which are presented in the Draft Budgetary Plan in accordance with the ESA2010 framework. The updated projections have been published only within the 2020 Draft Budgetary Plan. STATEC will publish the next forecast update on the forthcoming issue of its biannual forecast exercise, scheduled for December ("Note de Conjoncture, 2-2019" forthcoming). STATEC is also responsible for the preparation of the midterm projections[2] in the context of the Stability Program and the National Reform Plan.

The Draft Budgetary Plan projects real GDP to grow by 2.4% in both 2019 and 2020. Compared to the 2019 Stability Programme, where GDP growth was projected at 3.0% in 2019 and 3.8% in 2020, economic perspectives have been revised downwards by around half percentage point in 2019 and 1½ in 2020. The growth drivers in the Draft Budgetary Plan macroeconomic scenario reflect a more balanced composition of growth, compared to the 2019 Stability Programme scenario. In the Draft Budgetary Plan, the contribution of net exports has been revised upwards by 1.7 percentage points of GDP in both 2019 and 2020. In turn, the contribution from domestic demand has been revised downwards by 1.7 and 2.3 percentage points of GDP for 2019 and 2020, respectively. This is partly explained by the downward revision of gross fixed capital formation, which is fully debited from the external balance of goods. Compared to the 2019 Stability Programme scenario, the negative contribution from inventories projected in the macroeconomic scenario underlying the Draft Budgetary Plan, which is set at -0.7 percentage points of GDP for both 2019 and 2020, encloses most of the downward revision to GDP growth for 2019 and around one half of the revision for 2020. The macroeconomic scenario underlying the Draft Budgetary Plan assumes an increasing growth momentum for external trade, though less pronounced compared to the projections underlying the 2019 Stability Programme scenario. Overall, the deterioration in the external environment and increased uncertainty, which were pointed out as the main risks for the 2019 Stability Programme scenario going forward, appear to have been factored in, to a certain extent, by the macroeconomic scenario underpinning the Draft Budgetary Plan.

The increasing growth momentum for external trade projected in the macroeconomic scenario underlying the Draft Budgetary Plan implies a contribution from exports of goods and services of around 7 and 11 percentage points to GDP growth in 2019 and 2020, respectively (compared with one percentage point of GDP in 2018). Growth of both exports and imports of goods and services is forecast to accelerate in 2019 and 2020, although their net contribution to growth is expected to be negative in 2019 compared with 2018, partly explained by the rebound in investment (which is recorded as imports in the external account). The robust labour market expansion is set to have reached a peak in 2019, including an expected decline in unemployment, of 0.4 percentage points of active population, for the same year.

[2] See: https://statistiques.public.lu/fr/actualites/economie-finances/conjoncture/2019/03/20190312/20190312.pdf

Table 1. Comparison of macroeconomic developments and forecasts

	2018	2019			2020		
	COM	SP	DBP	COM	SP	DBP	COM
Real GDP (% change)	3.1	3.0	2.4	2.6	3.8	2.4	2.6
Private consumption (% change)	3.3	4.3	3.0	3.1	3.6	2.2	2.7
Gross fixed capital formation (% change)	-5.9	15.7	6.7	4.5	13.6	3.7	2.9
Exports of goods and services (% change)	0.5	4.4	3.3	1.7	7.2	5.3	1.7
Imports of goods and services (% change)	-0.3	6.2	4.2	1.9	8.6	5.8	1.7
Contributions to real GDP growth:							
- Final domestic demand	0.5	5.0	3.3	2.2	4.7	2.4	1.8
- Change in inventories	0.9	0.0	-0.7	0.0	0.0	-0.7	0.0
- Net exports	1.6	-2.0	-0.3	0.3	-0.9	0.8	0.7
Output gap[1]	1.5	1.0	1.6	1.5	1.6	1.3	1.4
Employment (% change)	3.7	3.4	3.7	3.7	2.9	3.2	3.4
Unemployment rate (%)	5.5	4.7	5.1	5.3	4.5	5.2	5.3
Labour productivity (% change)	-0.6	-0.4	-1.3	-1.1	0.8	-0.7	-0.8
HICP inflation (%)	2.0	1.1	1.6	1.7	1.8	1.7	1.6
GDP deflator (% change)	2.5	1.1	1.4	2.2	1.9	2.3	1.9
Comp. of employees (per head, % change)	3.3	2.5	3.4	3.2	3.4	2.2	2.5
Net lending/borrowing vis-à-vis the rest of the world (% of GDP)	-0.7			3.7			3.7

Note:

[1]In percent of potential GDP, with potential GDP growth recalculated by Commission services on the basis of the programme scenario using the commonly agreed methodology.

Source:

Stability Programme 2019 (SP); Draft Budgetary Plan for 2020 (DBP); Commission 2019 autumn forecast (COM); Commission calculations

In the Commission 2019 autumn forecast, economic activity is projected to grow by 2.6% in both 2019 and 2020. Thus, the Commission scenario points to a steady, though slightly higher growth trend compared to the macroeconomic scenario underlying the Draft Budgetary Plan, which appears to be plausible in both 2019 and 2020. The Commission projections for the external sector show relatively less dynamic components but a positive net contribution to growth in 2019. The difference is partly explained by lower investment expectations for 2019 by the Commission forecast. Furthermore, lower growth projections for the euro area and global trade, and the overall increased uncertainty at the current juncture, might suggest a lower expansion of exports and imports in 2019 and 2020, compared with the macroeconomic scenario underlying the Draft Budgetary Plan. However, other factors not specified in the Draft Budgetary Plan might also be underlying the projected composition of growth. Specifically, the sustained negative contribution from stock-building, projected at 0.7 percentage points of GDP in both 2019 and 2020, cannot be solely explained by the Draft Budgetary Plan macroeconomic projections on the expected increasing growth momentum for the external sector and the projected GDP growth, especially for 2020.

3. Recent and planned fiscal developments

3.1. Deficit developments

The 2020 Draft Budgetary Plan projects a general government headline surplus of 2.0% of GDP in 2019. This is just the double of the headline surplus of 1.0% of GDP targeted for 2019 in the Stability Programme. The Draft Budgetary Plan projections for 2019 are more prudent than the Commission 2019 autumn forecast, which projects a headline surplus of 2.3% of GDP. The upward revision of the 2019 headline surplus compared to the Stability Programme is mostly due to lower-than-expected expenditure and to a lesser extent to higher-than-expected tax revenues. Total revenues have been revised up by 0.3 percentage points of GDP compared to the Stability Programme. Revenues from current taxes on income and wealth were revised up by 0.9 percentage points of GDP, partially counterbalanced by a downward revision of indirect taxes, social contributions and other revenue. The latest data on budget execution for the Central government[3] show that revenues increased on average by 13.4% in the first semester of 2019 compared to the same period of the previous year.

This evolution is remarkable in light of the already substantial increase of revenues recorded in 2017 and 2018. These developments are, at least partially, explained by the introduction of the automatic tax declaration, which temporarily boosted the collection of tax revenues from firms. In 2020, the impact of the introduction of the automatic tax declaration is projected to fade away. Nevertheless, a less aggressive tax avoidance behaviour by multinationals linked to the international fight against tax avoidance is likely to have contributed as well to the buoyant evolution in recent years of taxes from corporations. Furthermore, in the wake of the United Kingdom's decision to withdraw from the European Union, Luxembourg has been able to attract a number of firms that have decided to locate their headquarters in that Member State.

On the expenditure side, expenditure has been revised downward in relation to compensation of employees, social payments, public investment, and other kind of expenditure. Public investment is expected to increase to 4.1% of GDP in 2019 from 3.9% in 2018.

For 2020, the Draft Budgetary Plan projects the headline surplus to decline to 1.2% of GDP. This compares with a headline surplus of 1.4% in 2020 that was projected in the 2019 Stability Programme. The macroeconomic scenario underpinning the budgetary strategy in the 2020 Draft Budgetary Plan projects a steady growth of the economic output compared to the sharp improvement factored in the last Stability Programme[4]. The decline in the 2020 headline surplus is then explained by a less favourable evolution of both revenues and expenditures compared to the Draft Budgetary Plan projections for 2019. Revenues are expected to shrink by 0.2 percentage points with a sizeable drop projected for current taxes on income and wealth (of 0.5 percentage points of GDP). At the same time, total expenditure is estimated to increase by 0.6 percentage points to 43.9% of GDP. In particular, compensation of employees is projected to increase by 0.2 percentage points, in line with the government efforts of reinforcing public services. Discretionary expenditure-increasing measures are

[3] Note on the evolution of revenues and expenditure at 31 July 2019 for the Central Government, available at: https://gouvernement.lu/dam-assets/documents/actualites/2019/07-juillet/Tableaux-Juin-2019.pdf.

[4] According to the 2020 Draft Budgetary Plan, real GDP growth is forecast at 2.4% in both years 2019 and 2020, where the last Stability Programme projected real GDP growth to increase from 3.0% in 2019 to 3.8% in 2020.

estimated to amount to 0.2% of GDP. Gross fixed capital formation is projected to increase further to 4.3% of GDP, on the back of the purchase of military plane for an amount equivalent to EUR 200 million (around 0.3% of GDP).

Compared to the Draft Budgetary Plan projections for 2020, the Commission forecast projects the headline surplus to decline to 1.4% of GDP. Total revenues are forecast to decrease by 0.1% of GDP compared to their 2019 level. With identical assumptions about the impact of the discretionary measures, the difference is explained by the stronger elasticity of government revenues to GDP growth in the Commission 2019 autumn forecast and a more moderate evolution of government expenditure. The macroeconomic scenario underpinning the Commission forecast is broadly in line with that in the Draft Budgetary Plan (GDP growth at 2.6% in 2020 compared to 2.4% in the Draft Budgetary Plan). The total expenditure ratio is expected to increase by 0.8 percentage points of GDP as in the Draft Budgetary Plan.

In structural terms, the Draft Budgetary Plan projects the surplus of the recalculated structural balance[5] to decline to 1.3% in 2019 and to 0.6% of GDP in 2020. The Commission forecast also envisages a deterioration of the structural surplus to 1.6% of GDP in 2019, followed by a drop to 0.8% of GDP in 2020. In the light of the absence of one-offs and temporary measures, differences are explained by the different evolution in the headline surplus between the Commission forecast and the Draft Budgetary Plan and the estimation of the output gap.

Euro area sovereign bond yields remain at historically low levels, with 10-year rates in Luxembourg currently standing at -0.5%.[6] Consequently, total interest payments by the general government have continued to decrease as a share of GDP. Based on the information included in the Draft Budgetary Plan, in line with the low level of government debt, Luxembourg's interest expenditure has remained modest at 0.3% of GDP in 2018 and is projected to remain at 0.3% of GDP in 2019 and to fall to 0.2% of GDP in 2020. This compares to 1.8% of GDP on average for the euro area as a whole and it is below the 0.5% recorded back in 2013 at the peak of the euro area sovereign debt crisis. In addition, over recent years Luxembourg has benefitted from stable and favourable financing conditions. The implicit interest rate of government debt is estimated at 1.4% in 2020 compared to 1.8% for the euro area as a whole. This picture is broadly confirmed by the Commission forecast.

Risks to that fiscal outlook are mainly related to the macroeconomic outlook and, in particular, to the financial sector remaining the main engine of the domestic economy. Regulatory and external risks remain and could adversely affect the financial sector and overall growth prospects. Finally, the recurrent and sizeable revisions of national accounts risk undermining the reliability of the overall budgetary exercise.

---

5 Cyclically adjusted balance net of one-off and temporary measures, recalculated by the Commission using the commonly agreed methodology.

6 10-year bond yields as of 6 November 2019. Source: ESTAT.

Table 2. Composition of the budgetary adjustment

(% of GDP)	2018	2019			2020			Change: 2018-2020
	COM	SP	DBP	COM	SP	DBP	COM	DBP
Revenue	**44.6**	**45.0**	*45.3*	**45.4**	**45.0**	*45.1*	**45.3**	**0.5**
of which:								
- Taxes on production and imports	11.8	11.8	*11.7*	11.7	11.8	*11.7*	11.8	-0.1
- Current taxes on income, wealth,	16.4	16.3	*17.2*	17.3	16.3	*16.6*	16.9	0.2
- Capital taxes	0.2	0.2	*0.2*	0.2	0.3	*0.2*	0.2	0.0
- Social contributions	12.2	12.5	*12.4*	12.3	12.5	*12.5*	12.4	0.3
- Other (residual)	4.1	4.2	*3.8*	4.0	4.1	*4.1*	4.0	0.0
Expenditure	**41.9**	**43.9**	**43.3**	**43.1**	**43.6**	**43.9**	**43.9**	**2.0**
of which:								
- Primary expenditure	41.6	43.7	43.0	42.8	43.4	43.7	43.6	2.1
of which:								
Compensation of employees	8.9	9.4	9.2	9.2	9.4	9.4	9.4	0.5
Intermediate consumption	3.6	3.8	3.8	3.7	3.7	3.9	3.8	0.3
Social payments	19.6	20.2	19.9	19.8	20.1	20.1	20.0	0.5
Subsidies	1.2	1.2	1.2	1.2	1.2	1.2	1.2	0.0
Gross fixed capital formation	3.9	4.3	4.2	4.1	4.2	4.4	4.3	0.5
Other (residual)	4.5	4.8	4.7	4.8	4.8	4.7	4.8	0.2
- Interest expenditure	0.3	0.3	0.3	0.3	0.2	0.2	0.3	-0.1
General government balance (GGB)	**2.7**	**1.0**	**2.0**	**2.3**	**1.4**	**1.2**	**1.4**	**-1.5**
Primary balance	**3.0**	**1.3**	**2.3**	**2.6**	**1.6**	**1.4**	**1.7**	**-1.6**
One-off and other temporary measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GGB excl. one-offs	**2.7**	**1.0**	**2.0**	**2.3**	**1.4**	**1.2**	**1.4**	**-1.5**
Output gap[1]	1.5	1.0	1.6	1.5	1.6	1.3	1.4	-0.4
Cyclically-adjusted balance[1]	2.0	0.6	1.3	1.6	0.6	0.6	0.8	-1.3
Structural balance (SB)[2]	**2.0**	**0.6**	**1.3**	**1.6**	**0.7**	**0.6**	**0.8**	**-1.3**
Structural primary balance[2]	2.3	0.8	1.6	1.9	0.9	0.8	1.0	-1.4

Notes:

[1] Output gap (in % of potential GDP) and cyclically-adjusted balance according to the DBP/Programme as recalculated by Commission on the basis of the DBP/Programme scenario using the commonly agreed methodology.

[2] Structural (primary) balance corresponds to cyclically-adjusted (primary) balance excluding one-off and other temporary measures.

Source:

Stability Programme 2019 (SP); Draft Budgetary Plan for 2020 (DBP); Commission 2019 autumn forecast (COM); Commission calculations

3.2. Debt developments

In the Draft Budgetary Plan, the public debt-to-GDP ratio is projected to decrease from 21.0% in 2018 to 20.0% in 2019 and to 19.8% of GDP in 2020, well below the Treaty threshold of 60% and under the 30% threshold set by government. This projection is broadly confirmed by the Commission forecast that projects the government debt to decline to 19.6% of GDP and 19.2% of GDP in 2019 and 2020, respectively. The decrease in government debt is not as large as what would be expected in light of the surplus of the primary government balance. According to the national law, the surpluses of the social security sector are allocated to a reserve fund ("Fonds de compensation commun au régime général de pension") so as to cover future pension expenditure and they cannot be used to finance the needs of the central government. The differences compared to the evolution of the government debt in the Draft

Budgetary Plan are mostly due to different assumptions about the stock-flow adjustment, where the Draft Budgetary Plan projects an active management of the existing stock of debt.

Table 3. Debt developments

(% of GDP)	2018	2019			2020		
		SP	DBP	COM	SP	DBP	COM
Gross debt ratio[1]	**21.0**	**20.2**	**20.0**	**19.6**	**19.9**	**19.8**	**19.2**
Change in the ratio	-1.3	-0.8	-1.0	-1.4	-0.3	-0.2	-0.4
Contributions[2]:							
1. Primary balance	**-3.0**	**-1.3**	**-2.3**	**-2.6**	**-1.6**	**-1.4**	**-1.7**
2. "Snow-ball" effect	**-0.9**	**-0.6**	**-0.5**	**-0.7**	**-0.8**	**-0.7**	**-0.6**
Of which:							
Interest expenditure	0.3	0.3	0.3	0.3	0.2	0.2	0.3
Real growth effect	-0.7	-0.6	-0.5	-0.5	-0.7	-0.5	-0.5
Inflation effect	-0.5	-0.2	-0.3	-0.4	-0.4	-0.4	-0.4
3. Stock-flow adjustment	**2.5**	**1.1**	**1.8**	**1.9**	**2.1**	**1.9**	**1.8**

Notes:

[1] End of period.

[2] The snow-ball effect captures the impact of interest expenditure on accumulated debt, as well as the impact of real GDP growth and inflation on the debt ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting, accumulation of financial assets and valuation and other residual effects.

Source:

Stability Programme 2019 (SP); Draft Budgetary Plan for 2020 (DBP); Commission 2019 autumn forecast (COM); Commission calculations

3.3. Measures underpinning the draft budgetary plan

The Draft Budgetary Plan reports on a number of new measures, which have been enacted or are planned. Since 2019 several flagship measures have been implemented, in particular the net increase in the minimum social wage by EUR 100 per month since the start of 2019 and a significant increase in investments in areas such as housing, education, research, digitalisation, transportation infrastructure, sustainable energy, culture and social structures. Other measures are aimed at strengthening the competitiveness of the tax framework by lowering the Luxembourg corporate income tax rate by one percentage point to 17% and widening the income bracket to which the reduced rate for corporate income tax applies. To keep up with the fight against global warming, an increase in excise duties on diesel and gasoline is also included. These measures combined are expected to lead to a budgetary cost of 0.5% of GDP in 2019.

Additional measures are planned in 2020 expected to cost an additional 0.2% of GDP. Measures on the revenue side account for a negative impact of less than 0.1% of GDP in 2020, pertaining to the adjustment of the VAT rate for some professional services. On the expenditure side, measures enacted or planned are estimated to increase expenditure by more than 0.1% of GDP in 2020. The main measures relate to the increase in compensation of employees related to the reinforcement of public administration services and in subsidies to private companies providing transportation services in relation with the reorganisation of the bus network. The Commission 2019 autumn forecast factored in similar estimates for these discretionary measures.

Table 4. Main discretionary measures reported in the Draft Budgetary Plan

A. Discretionary measures taken by General Government - revenue side

Components	Budgetary impact (% GDP)
	2020
Taxes on production and imports	0.0
Current taxes on income, wealth, etc.	0.0
Capital taxes	0.0
Social contributions	0.0
Property Income	0.0
Other	0.0
Total	0.0

Note:
The budgetary impact in the table is the aggregated impact of measures as reported in the DBP, i.e. by the national authorities. A positive sign implies that revenue increases as a consequence of this measure.
Source: Draft Budgetary Plan for 2020

B. Discretionary measures taken by general Government- expenditure side

Components	Budgetary impact (% GDP)
	2020
Compensation of employees	0.1
Intermediate consumption	0.0
Social payments	0.0
Interest Expenditure	0.0
Subsidies	0.0
Gross fixed capital formation	0.0
Capital transfers	0.0
Other	0.0
Total	0.2

Note:
1) The budgetary impact in the table is the aggregated impact of measures as reported in the DBP, i.e. by the national authorities. A positive sign implies that expenditure increases as a consequence of this measure.
2) Inconsistencies between the total and the sum of single measures is explained by rounding effects.
Source: Draft Budgetary Plan for 2020

4. COMPLIANCE WITH THE PROVISIONS OF THE STABILITY AND GROWTH PACT

4.1. Compliance with the medium-term budgetary objective

Luxembourg is subject to the preventive arm of the Pact and should ensure compliance with its medium-term budgetary objective.

According to the information provided in the Draft Budgetary Plan, Luxembourg is expected to achieve a recalculated structural surplus of 1.3% of GDP in 2019. This is above its medium-term budgetary objective of a deficit of 0.5% of GDP.[7] For 2020, based on the information in the Draft Budgetary Plan, the recalculated structural balance is expected to decline to a surplus of 0.6% of GDP, above the medium-term budgetary objective of a surplus of 0.5% of GDP. This is confirmed by the Commission 2019 autumn forecast, which estimates the structural surplus to reach 1.6% of GDP and 0.8% of GDP in 2019 and 2020, respectively.

Luxembourg is therefore expected to be compliant with the requirements of the preventive arm of the Stability and Growth Pact both in 2019 and 2020.

[7] Medium-term budgetary objectives are to be revised every three years. Based on a agreed methodology, the Commission computes a minimum medium-term budgetary objective for each country. The minimum medium-term budgetary objectives a provide a lower bound for the national structural balance targets, which ensure the sustainability of the public finances, including the projected impact of ageing, or rapid progress towards sustainability, while providing a safety margin with respect to the 3% of GDP Treaty reference value. Due to the less favourable estimation in the 2018 Ageing report of its sustainability components (age-relate expenditure, debt) the new minimum medium-term budgetary objective for Luxembourg increased significantly, from a structural balance deficit of 0.5% of GDP to a surplus of 0.5% of GDP. With the 2019 Stability Programme Luxembourg decided to revise its medium-term budgetary objective to a surplus of 0.5% of GDP for the period 2020-2022 from a deficit of 0.5% of GDP.

Table 5. Compliance with the requirements of the preventive arm

(% of GDP)	2018	2019		2020	
Initial position[1]					
Medium-term budgetary objective (MTO)	-0.5	-0.5		0.5	
Structural balance[2] (COM)	2.0	1.6		0.8	
Structural balance based on freezing (COM)	2.4	1.6		-	
Position vis-a -vis the MTO[3]	the MTO	At or above the MTO		At or above the MTO	
	2018	**2019**		**2020**	
(% of GDP)	**COM**	**DBP**	**COM**	**DBP**	**COM**
Structural balance pillar					
Required adjustment[4]	Compliant				
Required adjustment corrected[5]					
Change in structural balance[6]					
One-year deviation from the required adjustment[7] *adjustment*[7]					
Expenditure benchmark pillar					
Applicable reference rate[8]					
One-year deviation adjusted for one-offs[9]					
Two-year average deviation adjusted for one-offs[9]					

Notes

[1] The most favourable level of the structural balance, measured as a percentage of GDP reached at the end of year t-1, between spring forecast (t-1) and the latest forecast, determines whether there is a need to adjust towards the MTO or not in year t. A margin of 0.25 percentage points is allowed in order to be evaluated as having reached the MTO.

[2] Structural balance corresponds to cyclically-adjusted government balance excluding one-off measures.

[3] Based on the relevant structural balance at year t-1.

[4] Based on the position vis-à-vis the MTO, the cyclical position and the debt level (See European Commission: Vade mecum on the Stability and Growth Pact ed. 2018, page 38.).

[5] Required adjustment corrected for the clauses, the possible margin to the MTO and the allowed deviation in case of overachievers.

[6] Change in the structural balance compared to year t-1. Ex post assessment (for 2018) was carried out on the basis of Commission 2019 spring forecast.

[7] The difference of the change in the structural balance and the corrected required adjustment.

[8] Reference medium-term rate of potential GDP growth. The (standard) reference rate applies from year t+1, if the country has reached its MTO in year t. A corrected rate applies as long as the country is adjusting towards its MTO, including in year t.

[9] Deviation of the growth rate of public expenditure net of discretionary revenue measures, revenue increases mandated by law and one-offs from the applicable reference rate in terms of the effect on the structural balance. The expenditure aggregate used for the expenditure benchmark is obtained following the commonly agreed methodology. A negative sign implies that expenditure growth exceeds the applicable reference rate.

Source :

Draft Budgetary Plan for 2020 (DBP); Commission 2019 autumn forecast (COM); Commission calculations.

5. COMPOSITION OF PUBLIC FINANCES AND IMPLEMENTATION OF FISCAL STRUCTURAL REFORMS

In 2020, the fiscal stance is expected to be expansionary, based on the structural balance estimates, according to both the Draft Budgetary Plan and the Commission 2019 autumn forecast.

The Draft Budgetary Plan projects an increase in total revenues in 2019 compared to 2018, when total revenues stood at 44.6% of GDP. They are expected to increase to 45.3% of GDP in 2019 and to decline from there to 45.1% of GDP in 2020. In 2019, revenue growth is still expected to be affected by the tax reform that took effect at the start of 2017. The reform introduced changes mostly in the area of direct taxation, both for individuals and corporations, aiming at a gradual reduction in the corporate income tax rate (with the aim of increasing competitiveness) and an increase in progressivity of the personal income tax (with the aim to increase fairness). After reducing revenues by 0.7% of GDP in 2017, the reform impact is projected to become larger in the following years, reducing revenues annually by about 0.8% of GDP on average over the period 2018-2022. However, in spite of the impact of that reform, current taxes on income and wealth increased substantially already since 2017 due to the impact of a number of specific elements, including the improvement in the labour market.

VAT revenues in 2019 are expected to be affected by the residual impact of the change in VAT legislation with regard to the place of taxation for activities related to e-commerce that took effect in 2015. A transitional rule covering the period from 2015-2019 was put in place. Accordingly, Luxembourg has been able to retain 30% of VAT revenues generated by those activities between 2015 and 2016. The loss of e-VAT revenues between 2015 and 2016 has been estimated at around EUR 600 million (equivalent to 1.2% of GDP), partially compensated by the increase, which took effect at the start of 2015, by 2 percentage points of all VAT rates, excluding the super-reduced rate of 3%. The retained share of e-VAT is then reduced to 15% for the period 2017-2018. In 2017, a loss of around EUR 300 million (0.5% of GDP) was recorded. The rate is finally reduced to 0% from 2019 onwards. The potential loss in 2019 is estimated at less than 0.1% of GDP.

According to the Draft Budgetary Plan, total expenditure in 2019 and 2020 is expected to increase to 43.3% and 43.9% of GDP, respectively, compared to 41.9% of GDP in 2018. In real terms, after a period of relative containment between 2013 and 2016 when it increased on average by 2.3% annually, total expenditure has returned to grow at around 4% per year, broadly the same rate it experienced between 2000 and 2012.

Public investment is projected to increase gradually at 4.4% of GDP in 2020. The peak in 2020 is explained by the one-off impact of the purchase of a military plane (around EUR 200 million, equivalent to 0.3% of GDP). While it stands at a level well above the euro-area average (2.6% of GDP in 2018), it remains below its level before the financial crisis, in spite of recent government efforts to increase investment in Luxembourg's infrastructure. Overall, the tax structure remains rather growth-friendly.

The Draft Budgetary Plan provides a list of measures in order to ensure an adequate follow-up of the 2019 country-specific recommendations.

On 9 July 2019, the Council recommended to Luxembourg an increase of the employment rate of older people with a view to improving the long-term sustainability of the pension system.[8] In order to increase the employment rate of older people, the Council recommendation suggests to enhance their employment opportunities and employability and to further limiting early retirement. In this regard, the Draft Budgetary Plan does not report about new measures compared to those already enumerated in the former Draft Budgetary Plan. The following measures are listed: (i) the adopted reform of the long-term care insurance scheme, which was effective from the start of 2018; (ii) the new measures to help people in long-term unemployment, which entered into effect in August 2017; and (iii) the reform of early retirement schemes. It also recalls previously reported measures such as the adopted reform of the professional classification scheme for persons with partial incapacity. Nevertheless, it is worth noting that in 2018, the working group on pensions mandated by the

[8] Council Recommendation of 9 July 2019 on the 2019 National Reform Programme of Luxembourg and delivering a Council opinion on the 2019 Stability Programme of Luxembourg (OJ C 301, 5.9.2019, p. 97).

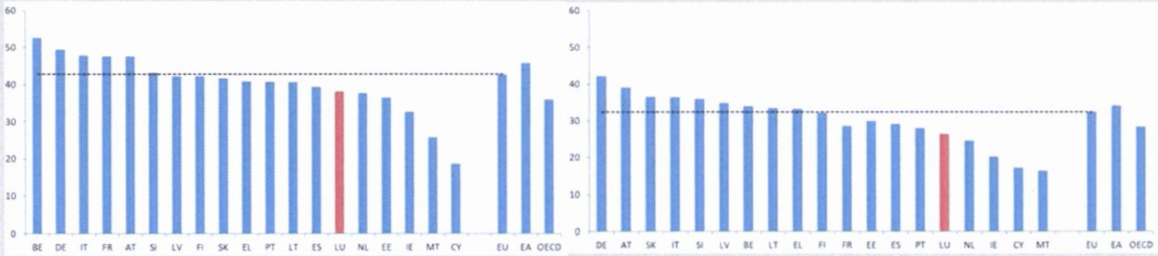
government concluded that the pension system in Luxembourg appears to be not sustainable, amid high uncertainty levels in the long-term projections at unchanged policies.

Box 2 – Addressing the tax burden on labour in the euro area

The tax burden on labour in the euro area is relatively high, which weighs on economic activity and employment. Against this background, the Eurogroup has expressed a commitment to reduce the tax burden on labour. On 12 September 2015, the Eurogroup agreed to benchmark euro area Member States' tax burden on labour against the GDP-weighted EU average, relying in the first instance on indicators measuring the tax wedge on labour for a single worker at average wage and a single worker at low wage. It also agreed to relate these numbers to the OECD average for purposes of broader comparability.

The tax wedge on labour measures the difference between the total labour costs to employ a worker and the worker's net earnings. It is made up of personal income taxes and employer and employee social security contributions. The higher the tax wedge, the higher the disincentives to take up work or hire new staff. The graphs below show the tax wedge in Luxembourg for a single worker earning respectively the average wage and a low wage (50% of the average) compared to the EU average.

The tax burden on labour in Luxembourg at the average wage and at low wage (2017)



Notes: No recent data is available for Cyprus. EU and EA averages are GDP-weighted. The OECD average is not weighted.
Source: European Commission Tax and Benefit Indicator database based on OECD data.

Notes: EU and EA averages are GDP-weighted. The OECD average is not weighted.

Source: European Commission Tax and Benefit Indicator database based on OECD data.

Benchmarking is only the first step in the process towards firm, country-specific policy conclusions. The tax burden on labour interacts with a wide variety of other policy elements such as the benefit system and the wage-setting system. A good employment performance indicates that the need to reduce labour taxation may be less urgent while fiscal constraints can dictate that labour tax cuts should be fully offset by other revenue-enhancing or expenditure-reducing measures. In-depth, country-specific analysis is necessary before drawing policy conclusions.

Luxembourg's Draft Budgetary Plan does not include any new measures affecting the tax wedge on labour. The reform of the tax code, which took effect as of 1 January 2017, introduced measures lowering the tax wedge on labour. The reform has made the system more progressive for lower incomes while introducing two new marginal tax rates for the highest incomes. Tax credits for employees and pensioners have been increased. The tax measures are expected to preserve the competitiveness of its economy and increase households' disposable income and have a positive effect on employment and on growth through higher private consumption. Since the start of 2019 the minimum social wage has been increased by EUR 100 through tax credits, which is expected to have an impact on the labour tax wedge. This measures is estimated to have a revenue-decreasing impact of around 0.1% of GDP.

6. Overall conclusion

According to both the information provided in the Draft Budgetary Plan and the Commission 2019 autumn forecast, the structural balance is expected to remain above the medium-term budgetary objective in 2019 and 2020. Therefore, Luxembourg is projected to meet the requirements under the preventive arm of the Stability and Growth Pact both in 2019 and 2020.

Dépôt : Groupe politique CSV

Luxembourg, le 2 décembre 2019

Projet de loi n° 7500 concernant le budget des recettes et des dépenses de l'État pour l'exercice 2020 et modifiant :

1° le Code de la Sécurité sociale ;

2° la loi générale des impôts modifiée du 22 mai 1931 (« Abgabenordnung »);

3° la loi du 27 juillet 1938, portant création d'un fonds de réserve pour la crise;

4° la loi modifiée du 4 décembre 1967 concernant l'impôt sur le revenu;

5° la loi modifiée du 10 mars 1969 portant institution d'une inspection générale des finances;

6° la loi modifiée du 12 février 1979 concernant la taxe sur la valeur ajoutée;

7° la loi modifiée du 24 décembre 1996 portant introduction d'une bonification d'impôt sur le revenu en cas d'embauchage de chômeurs;

8° la loi modifiée du 28 avril 1998 portant

a) harmonisation de l'enseignement musical dans le secteur communal;

b) modification de l'article 5 de la loi du 24 mai 1989 sur le contrat de travail;

c) modification de la loi modifiée du 22 juin 1963 fixant le régime des traitements des fonctionnaires de l'Etat;

9° la loi électorale du 18 février 2003 telle que modifiée;

10° la loi modifiée du 17 décembre 2010 fixant les droits d'accise et les taxes assimilées sur les produits énergétiques, l'électricité, les produits de tabacs manufacturés, l'alcool et les boissons alcooliques;

11° la loi modifiée du 29 avril 2014 concernant le budget des recettes et des dépenses de l'État pour l'exercice 2014;

12° la loi modifiée du 25 mars 2015 fixant le régime des traitements et les conditions et modalités d'avancement des fonctionnaires de l'État;

13° la loi du 27 mars 2018 portant organisation de la sécurité civile;

14° la loi du 10 août 2018 portant organisation de l'Administration de l'enregistrement, des domaines et de la TVA

Amendement 1

Un nouvel article 42 est inséré au projet de loi. Cet article est libellé comme suit :

*« **Art. 42 Modification du Code de la Sécurité sociale***

1. A l'alinéa 1er, première phrase de l'article 272 du Code la Sécurité sociale « 265 euros » est remplacé par « 271,62 euros » ;

2. Un nouvel alinéa 3 est inséré à l'article 272 du Code de la Sécurité sociale et libellé comme suit :

« Le montant ci-dessus est périodiquement adapté à l'indice pondéré du coût de la vie suivant les dispositions applicables aux traitements des fonctionnaires de l'État. »

Les articles 42 et 43 sont renumérotés et deviennent les articles 43 et 44.

L'intitulé du projet de loi est modifié. Un nouveau numéro 1° faisant référence au Code de la Sécurité sociale est inséré. Les numéros 1° à 13° deviennent les numéros 2° à 14°.

Commentaire de l'amendement 1

ad1 : L'adaptation du montant prévu à la première phrase de l'alinéa 1er de l'article 272 tient compte de la dernière augmentation indiciaire qui remonte au 1er août 2018.

ad 2 : L'insertion d'un nouvel alinéa 3 à l'article 272 du Code de la Sécurité sociale est en ligne avec les propos de Monsieur le Ministre des Finances en date du 23 juillet 2018

« les comptes de l'État sont désormais très proches de l'équilibre» et *«le prochain Gouvernement pourra poursuivre une politique volontariste engagée pour préparer au mieux le pays aux défis de l'avenir et continuer à améliorer la qualité de vie des citoyens ».*

Dans la mesure où les finances publiques se trouvent dans un état équilibré, l'amendement sous rubrique entend ainsi introduire le système de l'indexation automatique pour l'allocation familiale. La modification au niveau de l'article 272 du Code de la sécurité sociale prévoit par conséquent l'adaptation du montant de l'allocation à l'indice des prix à la consommation.

***

Amendement 2

L'article 44 est libellé comme suit :

« Art. 44. Entrée en vigueur

La présente loi entrera en vigueur le 1er janvier 2020, à l'exception des dispositions de l'article 3 (1) qui sont applicables à partir de l'année d'imposition 2020 et à l'exception des dispositions de l'article 3 (2) qui sont applicables à partir de l'année d'imposition 2019.

Le point 1 de l'article 42 produit ses effets au 1er janvier 2019.

Commentaire de l'amendement 2

Un deuxième alinéa est inséré à l'article 44. Suivant cet amendement, l'adaptation des allocations familiales se fait avec effet rétroactif au 1er janvier 2019.

Amendement 3

Amendement concernant l'article budgétaire (Code écon.) 41.012 (41.40) Code fonct. 12.60 à la page 52 du projet de loi concernant le budget des recettes et des dépenses de l'État pour l'exercice 2020 :

L'article budgétaire 41.012 (41.40) relatif à la « Dotation dans l'intérêt de l'établissement public "Fonds national de soutien à la production audiovisuelle" » est alimenté pour l'année budgétaire 2020 à hauteur de 37 millions d'euros.

Commentaire de l'amendement 3

Via l'article budgétaire 41.012 (41.40) du projet de loi n°7500 sous rubrique, le gouvernement a décidé d'augmenter la dotation étatique en faveur du Fonds national de soutien à la production audiovisuelle (FONSPA) de 4,032 millions d'euros par rapport à l'année 2019, i.e. une dotation totale de 41.032.000 euros.

Il fait ainsi suite aux revendications du secteur de production audiovisuelle portant sur une augmentation des subsides alloués via le FONSPA. Ces revendications ne datent pas d'hier, mais elle se sont faites pressantes en 2018 alors que le FONSPA avait déjà alloué plus de deux tiers de ces fonds en juillet 2018.

A l'approche des élections législatives d'octobre 2018, le ministre des Communications et des Médias avait toutefois rejeté la demande du secteur en renvoyant à un audit qu'il avait commandité à la mi-2018. L'audit devait analyser le système d'allocation existant à commencer par l'évaluation des demandes d'allocation de subsides jusqu'à la prise de décision et la détermination du montant à allouer. Un premier projet d'audit avait été communiqué au ministre à la mi-septembre 2018, alors que la version finale date de fin novembre 2018 et n'a été communiqué aux députés qu'en décembre 2018.

L'audit dont le sérieux et la qualité peuvent être questionnés et que ses auteurs qualifient de « soft audit » émet un certain nombre d'observations négatives. S'y ajoute qu'un certain nombre d'articles et de reportages apparus récemment dans la presse nationale révèlent des dysfonctionnements et des irrégularités inquiétantes au sein du FONSPA.

Or, sans même attendre la mise au point et l'implémentation des suggestions d'amélioration des groupes de travail constitués à la suite de l'audit, le ministre des Médias et Communications avait déjà annoncé début de l'année 2019 d'augmenter les moyens financiers à mettre à disposition du FONSPA.

A noter enfin que conformément à l'article 5 (2) sur la loi modifiée du 8 juin 1999 portant organisation de la Cour des Comptes, cette dernière a été saisie par la Chambre des députés afin de réaliser un rapport spécial sur la gestion financière du FONSPA.

Compte tenu de ce qui précède, nous sommes d'avis que, aussi longtemps que la lumière n'a pas été faite sur les diverses questions en rapport avec le fonctionnement du FONSPA, aucune augmentation du budget ne devrait être accordée pour l'exercice 2020.

***