

Luxembourg

Payroll & Employment Law Guide

2026 Edition · Last updated October 14, 2026

Automatic wage indexation (échelle mobile), the CCSS contribution structure, and the cross-border workforce

Overview

A reference for employing in Luxembourg

The capital company form foreign investors use most in Luxembourg is the SARL (société à responsabilité limitée). Shareholder numbers are capped between 1 and 100 and share transfers are restricted. For larger or publicly listed structures, the SA (société anonyme) is preferred, and for structures requiring one limited and one unlimited liability partner, the SCA (société en commandite par actions) applies. A foreign company that wants to operate without forming a legal entity can open a succursale (branch), which carries no separate legal personality.

992.24	€2,771.33	26 days	20 weeks
WAGE INDEX LEVEL SINCE 1 JUNE 2026, +2.5% LAST TRANCHE	2026 UNSKILLED STATUTORY MINIMUM WAGE (SSM)	STATUTORY ANNUAL LEAVE	MATERNITY LEAVE, PAID BY CNS NOT THE EMPLOYER

WHAT THIS GUIDE COVERS

I	Setting Up and Doing Business	The capital company form foreign investors use most in Luxembourg is the SARL (société à responsabilité limitée).
II	Working Conditions and Leave Entitlements	The statutory normal working time in Luxembourg is 8 hours per day and 40 hours per week (Code du travail, art.
III	Tax and Social Security	Luxembourg's social-security-equivalent body is the CCSS (Centre commun de la sécurité sociale).
IV	Payroll Operations	Luxembourg's payroll currency is the euro, and in actual market practice wages are paid monthly.
V	Hiring and Termination	In Luxembourg, the probation period (période d'essai) is freely set by the parties, from 2 weeks to 6 months.
VI	Compensation and Benefits	Luxembourg has no classic statutory obligation for an annual mandatory raise.
VII	Visas and Work Permits	EU, EEA and Swiss citizens can work freely in Luxembourg without a work permit.
VIII	Practical Notes and Common Pitfalls	Private sector employers in Luxembourg with 25 to 49 employees must employ at least 1 full-time disabled employee.
IX	Incentives and Employer Support Schemes	Section 3 shows the standard private-sector employer burden at 12.32%-15% of gross salary.

I —

Setting Up and Doing Business

The capital company form foreign investors use most in Luxembourg is the SARL (société à responsabilité limitée). Shareholder numbers are capped between 1 and 100 and share transfers are restricted. For larger or publicly listed structures, the SA (société anonyme) is preferred, and for structures requiring one limited and one unlimited liability partner, the SCA (société en commandite par actions) applies. A foreign company that wants to operate without forming a legal entity can open a succursale (branch), which carries no separate legal personality.

LEGAL FORMS AND REGISTRATION STEPS

STRUCTURE OR STEP	RULE OR AMOUNT	AUTHORITY
SARL	Minimum capital EUR 12,000, fully subscribed and paid at formation	Notary + RCS
SA	Minimum capital EUR 30,000, at least 1/4 paid at formation	Notary + RCS
SCA	Minimum capital EUR 30,000, at least 2 partners (1 limited + 1 unlimited liability)	Notary + RCS
SARL-S	Symbolic capital, available only to certain individual entrepreneurs	Private deed (no notary required)
Branch (succursale)	No separate legal personality, parent company is liable	RCS
Trade register filing	Publication in RESA followed by registration with the RCS	Luxembourg Business Registers (LBR)
Employer registration	Registration with CCSS and RTS withholding registration with ACD before the first employee	CCSS / ACD

Verify before payroll

Caution: The exact minimum and maximum capital range for the SARL-S could not be verified directly from an official source during the research session behind this guide. Secondary sources cite a range of roughly EUR 1 to EUR 11,999. Confirm the precise figure via guichet.public.lu before incorporation.

I —

Setting Up and Doing Business

A commercial, craft or industrial activity first requires an "autorisation d'établissement" (business permit) from the Ministry of the Economy. A SARL, SA or SCA then requires a notarial deed of incorporation published in RESA, followed by registration with the RCS through Luxembourg Business Registers. VAT registration with the AED is added where applicable, and employer registration with the CCSS plus RTS withholding registration with the ACD must be completed before the first employee starts.

Verify before payroll

Expert Note: A foreign employer can run payroll directly in Luxembourg under "foreign employer" status with the CCSS, without forming a local entity. A separate legal regime for a licensed third-party Employer of Record (EOR) could not be directly identified in the Code du travail or ITM sources; the material found consisted only of commercial EOR providers' marketing pages. Lending out employees (prêt de main-d'œuvre) may in principle be restricted outside the licensed temporary work agency regime, but the full scope of that restriction has not been pinned down.

The mandatory structured e-invoicing requirement for public-sector transactions (B2G) was phased in between 2022 and 2023 and is in force. The mandatory domestic business-to-business (B2B) e-invoicing requirement has not yet become law: the Council of Government approved the bill on July 17, 2026, and Bill No. 8815 was submitted to Parliament on July 30, 2026; the planned timeline starts no earlier than 2028.

Verify before payroll

Section Summary: - A SARL requires a minimum of EUR 12,000 and an SA or SCA EUR 30,000 in capital; CCSS and ACD registration is mandatory before the first employee. - The legal framework for the EOR model has not been separately verified in Luxembourg; a foreign employer can also hire directly through CCSS registration. - The B2B e-invoicing mandate has not yet become law and will take effect no earlier than 2028.

II · WORKING CONDITIONS AND LEAVE ENTITLEMENTS

The statutory normal working time in Luxembourg is 8 hours per day and 40 hours per week (Code du travail, art. L.211-5). The statutory maximum working time, including overtime, is 10 hours per day and 48 hours per week (art. L.211-26). Overtime begins once average weekly work over the reference period (4 weeks by default) exceeds 40 hours, so short-term fluctuations are balanced against that average.

II

Working Conditions and Leave Entitlements

WORKING TIME, LEAVE AND INCAPACITY

TOPIC	STATUTORY FLOOR	NOTE
Statutory working time	8 hours/day, 40 hours/week	Code du travail art. L.211-5
Maximum working time	10 hours/day, 48 hours/week	Including overtime, art. L.211-26
Overtime premium	40% in the general regime	50% under the banking/insurance collective agreement
Paid annual leave	26 working days (full-time)	Accrues after 3 months of uninterrupted service
Maternity leave	20 weeks (8 before birth + 12 after)	Paid by CNS, not the employer
Birth leave (second parent)	10 days	Must be used within a set period after birth
Parental leave	Full-time 4 or 6 months; part-time 8 or 12 months	CAE pays a fixed monthly allowance
Continued pay during sickness	Full salary until the end of the month containing the 77th day	Within an 18-month reference period

Verify before payroll

Key Finding: At 26 working days, Luxembourg's statutory annual leave sits above the European average, and a collective agreement, internal work rules or individual contract can extend it further, though it can never be reduced below this floor.

Instead of the overtime premium, 1 hour and 30 minutes of compensatory rest per overtime hour may also be chosen. The decision to work overtime must be taken by mutual agreement between employer and employee, and a part-time employee cannot be compelled to work overtime. The overtime premium is exempt from tax and partially exempt from social security contributions.

II —

Working Conditions and Leave Entitlements

In case of sickness, the employer must continue paying the employee's full salary within an 18-month reference period until the end of the calendar month containing the 77th day of incapacity. During this period the employer can recover 80% to 100% of that cost (depending on the employer's financial absenteeism class) through the Mutualité des employeurs. From the end of the month containing the 77th day, the CNS takes over and pays sickness benefit for up to 78 weeks within a 104-week reference period.

Verify before payroll

Caution: The full list and exact count of public holidays could not be verified from a primary ITM or Legilux source during the research session behind this guide. Secondary sources list New Year's Day, Easter Monday, May 1, Ascension Day, Whit Monday, May 9 (Europe Day), June 23 (National Day), August 15, November 1 and December 25; the exact count should be confirmed before publication.

Maternity leave pay is made not by the employer but by the CNS; this payment generally matches prior salary but is capped at 5 times the minimum wage. This is a structural feature of Luxembourg payroll: the employer does not pay salary during maternity leave, only maintains the payroll and social security record. Birth leave (congé de naissance) for the second parent was extended by the law of July 29, 2023 to anyone legally recognized as the child's second parent, regardless of gender.

Verify before payroll

Section Summary: - Statutory working time is 40 hours per week with a 48-hour maximum; the overtime premium is 40% under the general regime. - Annual leave is 26 working days, and maternity leave pay is made by the CNS, not the employer. - During sickness the employer pays full salary for up to 77 days and can recover a significant share of that cost from the Mutualité des employeurs.

III · TAX AND SOCIAL SECURITY

Luxembourg's social-security-equivalent body is the CCSS (Centre commun de la sécurité sociale). Branch-level administration is split as follows: sickness and maternity through the CNS, pension through the CNAP, occupational accidents through the AAA, family benefits through the CAE, and unemployment/employment incentives through ADEM. On the tax side, the competent authority is the ACD (Administration des contributions directes); indirect tax and VAT fall under the AED.

III —

Tax and Social Security

MINIMUM WAGE, CONTRIBUTION RATES AND FLOOR/CEILING

ITEM	VALUE AS OF JUNE 1, 2026	NOTE
SSM, unskilled 18+ (monthly)	EUR 2,771.33	Index 992.24; hourly EUR 16.0192
SSM, skilled (120%)	EUR 3,325.59	Hourly EUR 19.2231
Contributable floor	EUR 2,771.33 (equal to SSM)	-
Contributable ceiling	EUR 13,856.63 (5x SSM)	Does not apply to dependency insurance
Employer social security burden (total)	12.32% to 15% of gross salary	Varies by branch and mutualité class
Employee social security burden (total)	12.70% to 12.95% of gross salary	Consists of fixed components
Income tax rates	0% to 42% across 23 brackets	Mémorial A No. 590, same table as 2025

Verify before payroll

Caution: Secondary sources conflict on the upper threshold of the lowest (0%) income tax bracket: figures of EUR 11,265, EUR 12,438 and EUR 13,230 each appear in different sources. Sources broadly agree the top bracket (42%) starts around EUR 234,870, but this too has not been verified one by one from a primary source. The exact bracket thresholds should be confirmed against the original text of Mémorial A No. 590 before publication.

III —

Tax and Social Security

EMPLOYER AND EMPLOYEE CONTRIBUTION SPLIT

BRANCH	EMPLOYER RATE	EMPLOYEE RATE
Assurance maladie-maternité (CNS)	3.05% (base 2.80% + 0.25% cash benefit surcharge)	2.80% (+ 0.25% surcharge, total 3.05%)
Assurance pension (CNAP)	8.50%	8.50%
Assurance dépendance	No employer share	1.40% (after the 1/4 SSM exemption)
Prestations familiales	No employer share in the private sector (1.70% in the public sector)	-
Santé au travail	0.14%	-
Assurance accident	0.5525% to 0.9750%	-
Mutualité des employeurs	0.23% to 2.66% (depending on absenteeism class)	-

Verify before payroll

Key Finding: Assurance dépendance (long-term care insurance) is paid entirely by the employee; the employer pays no contribution in this branch at all. A 1/4 SSM exemption (EUR 692.83 as of June 1, 2026) is applied to this contribution's base, and the floor/ceiling limits do not apply to this branch.

Worked Example (unskilled employee, monthly gross EUR 3,500, at June 1, 2026 parameters):

- Employer social security burden (assuming an average rate of 13.5%): $3,500 \times 13.5\% = \text{EUR } 472.50/\text{month}$
- Employee social security burden (assuming an average rate of 12.8%): $3,500 \times 12.8\% = \text{EUR } 448.00/\text{month}$
- Dependency insurance base: $3,500 - 692.83 = \text{EUR } 2,807.17$; dependency contribution: $2,807.17 \times 1.40\% = \text{EUR } 39.30/\text{month}$ (included in the employee rate above)
- Employer's total monthly labor cost (gross + social security): approximately EUR 3,972.50

III —

Tax and Social Security

Monthly wage declarations to the CCSS are made via the SECuline platform using the DECSAL procedure. CCSS must be notified of hiring, change or termination events within 8 calendar days of the event; failure to do so can trigger an administrative fine of up to EUR 2,500.

Verify before payroll

Caution: The figures used in this guide for the CCSS monthly payment deadline and late-payment interest (a 10-day payment window and 0.6% monthly late interest) rest on a single secondary source and should be separately confirmed against the official CCSS "déclarer et payer" page. Likewise, the "Fonds pour l'emploi" (employment fund) surtax added to the calculated income tax, used here at 7% (general) and 9% (top bracket), also comes from a secondary source and should not be treated as confirmed data until verified against the official ACD rate.

Verify before payroll

Section Summary: - The CCSS is the social-security-equivalent umbrella body; the employer burden ranges from 12.32% to 15% of gross salary depending on branch. - The contributable floor equals the SSM and the ceiling is 5 times the SSM; these limits do not apply to dependency insurance. - Income tax bracket thresholds and the employment fund surtax rate carry conflicting secondary-source figures and require primary-source confirmation before publication.

IV · PAYROLL OPERATIONS

Luxembourg's payroll currency is the euro, and in actual market practice wages are paid monthly. The clearest feature distinguishing Luxembourg payroll from the rest of the EU is automatic wage indexation (échelle mobile des salaires). This mechanism requires a payroll engine to run on "triggered tranche" logic rather than "annual update" logic.

AUTOMATIC WAGE INDEXATION (ÉCHELLE MOBILE DES SALAIRES)

In Luxembourg (together with Belgium, exceptionally within the EU), all wages, salaries and pensions are automatically tied to the national consumer price index (IPCN) calculated by STATEC. This mechanism is a matter of public order; it cannot be altered downward even by collective agreement. When a "tranche" is triggered, all wage components, including base salary and supplements, are updated immediately and automatically.

IV — Payroll Operations

INDEXATION PARAMETER	VALUE	NOTE
Latest triggered tranche	June 1, 2026	Index rose from 968.04 to 992.24
Tranche increase rate	2.5%	Applied automatically to all wage components
Scope	Wages, salaries, pensions	Cannot be reduced by collective agreement
Next tranche date	Not yet confirmed	Awaiting STATEC announcement

Verify before payroll

Caution: The date of the next indexation tranche could not be confirmed with certainty during the research session behind this guide; some sources project a date within 2027, others point to the third quarter of 2027. No fixed date should be entered into payroll planning until STATEC's official announcement arrives.

Verify before payroll

Expert Note: Indexation is the least predictable item in employer cost in Luxembourg, because the tranche date is not fixed in advance; it is tied to inflation. A payroll team should build its annual budget not around a single fixed increase rate, but by tracking STATEC's monthly index announcements.

IV — Payroll Operations

DECLARATION, DOCUMENTATION AND RETENTION OBLIGATIONS

TOPIC	RULE	NOTE
Monthly declaration	SECUline platform, DECSAL procedure	To the CCSS
Event notification (hire/termination/change)	Within 8 calendar days	Otherwise a fine of up to EUR 2,500
Meal voucher format	Electronic only since 2025	Paper vouchers no longer used
Payslip retention	Between 5 and 10 years (conflicting)	Secondary sources disagree with each other
Personnel register and timesheets	5 years from departure	-
Employment contract	3 years from end of relationship	-
Wage claim statute of limitations	3 years	Code du travail art. L.221-2

Verify before payroll

Caution: Secondary sources conflict on the retention period for payslips and personnel documents: one group of sources cites 10 years (referencing accounting law and income tax law), while another cites 5 years (referencing Code du travail L.125-7). This period should be finalized against the primary text before publication; this guide flags both figures as explicitly conflicting.

When a foreign employer temporarily sends its employees to work in Luxembourg (détachement), the employer must notify the ITM via the e-Détachement platform before work begins. A "badge social" is issued for each posted worker, and the employee must present it during an ITM inspection at the workplace. Documents that must be kept available at the worksite include the A1 certificate, the employment contract, payslips and working time records for each employee.

IV —

Payroll Operations

Verify before payroll

Section Summary: - The structural feature of Luxembourg payroll is automatic wage indexation tied to the STATEC index; the latest tranche triggered a 2.5% increase on June 1, 2026. - Monthly declarations to the CCSS go through SECUline/DECSAL; event notifications must be completed within 8 days. - Payroll document retention (5 or 10 years) is conflicting across secondary sources and requires confirmation before publication.

V · HIRING AND TERMINATION

In Luxembourg, the probation period (période d'essai) is freely set by the parties, from 2 weeks to 6 months. For employees below the CATP level, the maximum is 3 months; for employees whose starting gross monthly salary exceeds a certain threshold, the maximum is 12 months. The probation clause cannot be renewed; any agreement exceeding the statutory maximums is void.

V

Hiring and Termination

PROBATION, NOTICE AND SEVERANCE PAY

TOPIC	RULE	NOTE
Probation period (general)	2 weeks-6 months	Freely set by the parties
Probation period (below CATP)	Maximum 3 months	-
Probation period (higher earners)	Maximum 12 months	Threshold cited in a secondary source as 130% of SSM
Notice period, under 5 years' seniority	Employer 2 months, employee 1 month	Code du travail art. L.124-3/4
Notice period, 5-10 years' seniority	Employer 4 months, employee 2 months	-
Notice period, 10+ years' seniority	Employer 6 months, employee 3 months	-
Severance, 5-9 years	1 month's salary	No entitlement below 5 years
Severance, 10-14 years	2 months' salary	-
Severance, 15-19 years	3 months' salary	-
Severance, 20-24 years	6 months' salary	-
Severance, 25-29 years	9 months' salary	-
Severance, 30+ years	12 months' salary	Not subject to income tax

Verify before payroll

Caution: The "130% of SSM" figure used for the 12-month probation threshold rests on a single secondary source and should not be used as a confirmed threshold until verified against the current règlement grand-ducal text.

An employee's resignation notice period is half the employer's notice period. The notice period begins on the 15th of the month or the 1st of the following month, depending on whether notice is given before or after the 15th. In case of immediate dismissal for serious misconduct (motif grave), no notice period or notice indemnity applies.

V —

Hiring and Termination

Severance pay (indemnité de départ) is paid to an employee with at least 5 years' seniority with the same employer whose contract is terminated by the employer for a reason other than serious misconduct. The base is the gross salary actually paid during the 12 months before termination (excluding overtime and bonuses). Severance is not paid to an employee who has reached normal retirement pension entitlement, or to one dismissed for serious misconduct.

Verify before payroll

Key Finding: The statutory retirement age is 65; the minimum insured period is 120 months (10 years), and early retirement is possible at age 57 or 60 subject to specific insured-period conditions.

A fixed-term contract (CDD), including renewals, can run for a maximum of 24 months; the probation period counts toward this 24 months. Renewal is possible up to 2 times (for a total of 3 CDDs) and only if the first contract contains a renewal clause. Seasonal work, certain teaching/research contracts and highly skilled special positions are not subject to this 24-month rule.

Verify before payroll

Practical Tip: A renewal made without a renewal clause, or exceeding the 24-month limit, automatically converts the contract into an indefinite-term contract (CDI), and the employee keeps their accrued seniority. Making sure the renewal clause is explicitly included in the first contract when drafting a CDD avoids a conversion risk that is often noticed too late.

Verify before payroll

Section Summary: - The probation period is freely set between 2 weeks and 6 months, with special limits for employees below CATP level and higher earners. - Notice periods and severance pay scale with seniority; severance entitlement arises only after at least 5 years' seniority. - A CDD can run for a maximum of 24 months; renewal without a clause or exceeding the limit automatically converts it to a CDI.

VI —

Compensation and Benefits

Luxembourg has no classic statutory obligation for an annual mandatory raise. Automatic wage indexation (see Section 4) functionally fills that role: when the STATEC index triggers, all wages increase automatically by the tranche rate (2.5% at the latest tranche). This is not a "raise" but an indexation obligation rooted in public order, and it cannot be reduced even by collective agreement.

PAY BASE AND BENEFIT OBLIGATIONS

ITEM	RULE	NOTE
Wage update mechanism	Automatic indexation (échelle mobile)	A triggered tranche, not an annual raise
13th-month bonus (gratification)	Not a statutory obligation, but customary	Averages 15% of wages (STATEC)
Meal voucher maximum value	EUR 15/voucher	EUR 12.20 exempt after a EUR 2.80 employee contribution
Meal voucher format	Electronic only (since 2025)	Paper vouchers no longer used
Health insurance (CNS)	Total 3.05% employer + 3.05% employee	No separate mandatory private insurance
Family allowance (per child, as of June 1, 2026)	EUR 315.04/month base	+EUR 23.81 for ages 6-11, +EUR 59.44 for age 12+
Birth allowance	EUR 580.03 per installment	Paid by the CAE
Back-to-school allowance	EUR 115 for ages 6-11, EUR 235 for age 12+	Paid by the CAE

Verify before payroll

Key Finding: According to STATEC data, bonuses in Luxembourg average 15% of wages, well above the EU average of 8%, and roughly half of these bonuses go to the finance/insurance and scientific/technical sectors.

Once a 13th-month bonus becomes written into a collective agreement or individual contract, it cannot be unilaterally removed or reduced; the calculation method must stay fixed over time, though the amount can change. The 13th-month bonus is subject to income tax like ordinary salary.

VI —

Compensation and Benefits

Worked Example (meal voucher tax advantage, 20 working days per month):

- Maximum value per voucher: EUR 15.00
- Minimum employee contribution: EUR 2.80
- Employer's tax/social-security exempt share: EUR 12.20
- Monthly exempt amount (20 days): $20 \times \text{EUR } 12.20 = \text{EUR } 244.00/\text{employee}$
- Annual exempt amount: approximately EUR 2,928/employee (varies with the number of days worked)

Verify before payroll

Caution: The meal voucher exemption figures (EUR 15 / EUR 2.80 / EUR 12.20) are repeated consistently across several secondary sources, but could not be additionally verified against the primary text of the relevant règlement grand-ducal during the research session behind this guide.

Family allowances are paid by the State (CAE) and are not an employer cost, but they remain a useful reference for payroll and HR teams to give employees accurate information. There is no separate mandatory supplementary private health insurance provided by employers in Luxembourg; CNS coverage is the basic health guarantee.

Verify before payroll

Section Summary: - The main driver of wage growth is automatic indexation; there is no separate statutory annual raise obligation. - The 13th-month bonus is not a legal requirement but is a widespread custom, averaging around 15%. - Benefits like meal vouchers and family allowances rely on fixed amounts that move with the index.

VII · VISAS AND WORK PERMITS

EU, EEA and Swiss citizens can work freely in Luxembourg without a work permit. This follows EU free movement rules (Treaty on the Functioning of the EU, art. 45); only a residence registration formality applies for stays longer than 3 months. The process is different for third-country nationals, and the employer must first notify ADEM of the position.

VII —

Visas and Work Permits

PERMIT REGIMES AND OBLIGATIONS

SITUATION	RULE	NOTE
EU, EEA, Swiss citizen	No work permit required	Residence registration for stays over 3 months
Third-country national, labor market test	ADEM's 3-week window	Right to propose a suitable local/EU candidate
Third-country national, decision time	Up to 3 months (target)	Silence counts as a refusal
Initial permit validity	Maximum 1 year	Tied to a single occupation/sector
EU Blue Card salary threshold	EUR 65,652/year (from March 3, 2026)	Previous threshold was EUR 63,408
Posting/détachement notification	e-Détachement, before work begins	To the ITM, with a badge social
Foreign worker quota	None	EU free movement + cross-border worker regime

Verify before payroll

Caution: The general work permit process and timelines for third-country nationals (3-week labor market test, 3-month decision window, 1-year initial permit validity) were compiled from a single secondary source during the research session behind this guide and should not be treated as confirmed periods until verified against guichet.public.lu's main work permit page.

The labor market test may not be required for occupations with a serious labor shortage. A separate "dispense d'autorisation" (exemption) regime exists for third-country nationals joining an EU citizen spouse, partner or parent. The EU Blue Card also requires an employment contract of at least 6 months and a high professional qualification; since June 2024 the reduced threshold for shortage occupations no longer applies.

VII —

Visas and Work Permits

Verify before payroll

Expert Note: Luxembourg has no general foreign-worker quota or localization regime of the Nafis or Tawteen type seen in the Gulf states. The structural feature of the labor market is instead a large cross-border (frontalier) workforce coming from France, Belgium and Germany under EU free movement; this is managed through free movement and a separate cross-border work permit regime, not a quota.

The A1 certificate is separate from the posting/détachement notification regime and is a social security affiliation document based on EU Regulations 883/2004 and 987/2009; it must be kept available at the worksite for each posted employee.

Verify before payroll

Section Summary: - EU/EEA/Swiss citizens can work without a permit; third-country nationals go through an ADEM labor market test and a separate permit process. - The EU Blue Card salary threshold was raised to EUR 65,652/year as of March 3, 2026. - Luxembourg has no general foreign-worker quota; the labor market relies heavily on cross-border (frontalier) workers.

VIII · PRACTICAL NOTES AND COMMON PITFALLS

Private sector employers in Luxembourg with 25 to 49 employees must employ at least 1 full-time disabled employee. For employers with 50 to 299 employees the quota is 2%, and for those with 300 or more employees it is 4% (on a full-time-equivalent basis). An employer that fails to meet the quota pays a monthly compensatory tax to the Treasury equal to 50% of the minimum wage (SSM) for each missing disabled employee.

DISABILITY EMPLOYMENT QUOTA AND OTHER STRUCTURAL NOTES

EMPLOYER SIZE	QUOTA	NOTE
25-49 employees	At least 1 full-time disabled employee	-
50-299 employees	2% (on a full-time-equivalent basis)	-
300+ employees	4% (on a full-time-equivalent basis)	-
Public sector	5% (separate regime)	Administered by ADEM

VIII —

Practical Notes and Common Pitfalls

Verify before payroll

Practical Tip: Employers that meet the quota can receive State support for part of the wage cost, training expenses, workstation/workplace adaptation costs, transport costs and adapted professional equipment costs. Employers that exceed the quota are exempt from employer social security contributions for the positions above the quota.

Luxembourg has three administrative languages: French, German and Luxembourgish. A separate, binding Code du travail provision on which language an employment contract must be written in could not be identified during the research session behind this guide; in practice French is the most common contract language.

Verify before payroll

Caution: A regime similar to Belgium's regional language decrees should not be assumed to apply automatically in Luxembourg. If a contract-language requirement exists, it should be separately confirmed from the Code du travail or the ITM; no unsupported claim is made in this guide.

The CDD-to-CDI conversion rules are detailed in Section 5: exceeding or violating the 24-month cap or the renewal clause requirement automatically converts the contract into a CDI.

Verify before payroll

Expert Note: Luxembourg has one of the highest cross-border (frontalier) worker ratios in the EU; a large workforce commutes daily from France, Belgium and Germany to work in Luxembourg. This directly affects payroll: A1 formalities, bilateral social security agreements and cross-border tax treaties require a different tracking process than a payroll relationship with a local employee.

Verify before payroll

Section Summary: - The disability employment quota ranges from 2% to 4% depending on employer size; employers exceeding the quota gain a social security exemption. - A separate provision mandating a specific contract language has not been confirmed in this guide; French is the most common language in practice. - The cross-border (frontalier) workforce ratio is very high and adds an A1, bilateral social security and tax treaty layer to payroll.

IX —

Incentives and Employer Support Schemes

Section 3 shows the standard private-sector employer burden at 12.32%-15% of gross salary. Luxembourg has no general "employer contribution reduction" regime that directly lowers this baseline. The incentives below instead work by having the Fonds pour l'emploi or ADEM reimburse part of the wage cost for employing specific target groups.

TARGET-GROUP HIRING AND EMPLOYMENT SUPPORT SCHEMES

SCHEME	SCOPE	EMPLOYER BENEFIT	DURATION
Aide à l'embauche de chômeurs âgés	Age 45+, registered with ADEM for at least 1 month	Full reimbursement of the employer's social security share	2 years if hired aged 45-49; until retirement if hired aged 50+
Emploi d'insertion (long-term unemployed)	Only public/municipal/association/foundation employers; age 30+, registered unemployed for 12+ months	Wage cost reimbursement from the Fonds pour l'emploi	Current rate not confirmed (based on 2016-2017 bill data)
CIE (youth integration contract)	Under age 30, registered with ADEM for at least 3 months; open to all employers	Before July 1, 2026: employer pays the indemnity and is reimbursed its social security share. After: ADEM pays the indemnity directly to the employee	12 months + maximum 6-month extension
CAE (employment support contract)	Under age 30; open only to non-commercial organizations	75% of wages + 100% of social security share reimbursed in the first 12 months	12 months + maximum 6-month extension
Aide de promotion de l'apprentissage	Employers employing apprentices, with authorization	27% of gross wage reimbursed for DAP/TRF/DT, 40% for CCP	For the duration of the apprenticeship

Verify before payroll

Caution: The "Aide à la création d'un emploi d'insertion pour chômeurs de longue durée" scheme is not open to ordinary commercial employers; only the State, municipalities, public bodies, social-impact companies, associations and foundations can apply. The current reimbursement rate and cap for this scheme in 2026 rests on 2016-2017 bill text and should be confirmed against ADEM's current page.

The payment mechanism for CIE contracts signed after July 1, 2026 has changed: the indemnity is now paid directly to the employee by ADEM rather than by the employer, and the employer is only invoiced for its own social security share. This change was introduced by the law of March 3, 2026.

IX —

Incentives and Employer Support Schemes

DISABILITY EMPLOYMENT AND SHORT-TIME WORK SUPPORT

Disability employment incentives are intertwined with the quota regime in Section 8: employers meeting the quota benefit from State support (wage, training, workplace adaptation, transport, equipment costs), while employers exceeding the quota are exempt from employer social security contributions for the positions above the quota. This is the primary employer-cost mechanism for disability employment in Luxembourg.

Short-time work (chômage partiel) applies in four forms: cyclical (sector crisis), structural (under an employment protection plan), economic dependency (loss of a main client), and force majeure.

SHORT-TIME WORK PARAMETER	VALUE	NOTE
Compensation rate (normal)	80% (of gross hourly wage)	-
Compensation rate (hours spent in approved training)	90%	-
Hourly wage cap	250% of the unskilled hourly SSM	-
Annual maximum hours (per FTE)	1,022 hours/calendar year	Prorated for part-time

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Caution: An older (2021) source puts the monthly cap for short-time work compensation at EUR 6,752.70; this figure has not been recalculated against the June 1, 2026 index (992.24) and should be confirmed against ADEM's current page.

IX —

Incentives and Employer Support Schemes

The Fonds pour l'emploi reimburses the short-time work compensation the employer advances (including the first 16 hours); the employer's social security contributions on that compensation are not reimbursed. Apprentices, employees under CIE/CAE contracts, and posted workers from abroad are excluded. Claims must be filed via MyGuichet.lu by the 12th of the month preceding the covered month and must be renewed every month.

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Expert Note: Luxembourg has no localization or nationalization quota of the Nafis or Tawteen type seen in the Gulf states; this would be structurally unexpected, since Luxembourg's labor market already relies heavily on EU free movement and cross-border workers. Nor could a general and permanent "first employee" social security exemption regime of the kind found in Belgium or France be identified during the research session behind this guide. Luxembourg's incentive architecture instead relies on targeted programs specific to age, duration and organization type.

Administration of the schemes above (other than short-time work) runs through ADEM; applications are generally made with an electronic identity through MyGuichet.lu's business area. For most programs, notifying ADEM of the vacancy before hiring is a precondition.

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Section Summary: - Luxembourg has no general social security contribution reduction; incentives work as target-group-specific reimbursement programs. - CIE, CAE and the older-jobseeker hiring aid are the most concrete and current incentives; emploi d'insertion is open only to public/civil-society employers. - Short-time work support covers 80% of gross hourly wage (90% during training), but the monthly cap's current, index-adjusted figure needs confirmation.

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1

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