

# FAQ Accelerated depreciation

Source: <https://impotsdirects.public.lu/dam-assets/fr/legislation/LIR/LIR2023.pdf>

## 1. What is accelerated depreciation?

Accelerated depreciation is a taxation method that allows book depreciation to be magnified in order to depreciate sustainable energy efficiency improvement work or other types of work more quickly.

Book depreciation refers to the recognition of the permanent reduction to the value of an asset. This value is linked to the use of an asset and to the effect of time. Depreciation allows this reduction in value to be compensated by allocating a specific amount to the profits for the year.

We talk about accelerated depreciation when the level of depreciation is more advantageous, thereby allowing greater costs of depreciation over the first years following the improvement work.

## 2. What is the difference between accelerated depreciation of 4 % and 6 %?

Accelerated depreciation at the rate of 6 per cent applies to the costs of investment relating to a sustainable energy efficiency improvement measure. In this case, a sustainable energy efficiency improvement measure corresponds to the sustainable energy efficiency renovation measures on rental housing, for which financial support referred to in article 4 of the law amended on 23 December, 2016<sup>1</sup> is granted (support under the “Klimabonus” programme.). The costs of investment are calculated after subtracting this financial support.

Accelerated depreciation at the rate of 4 per cent is permitted on the property or parts of buildings used for rental housing when the completion of the property or part of the property goes back at least five years at the start of the operating year.

## 3. As the owner of a property, can I ask for accelerated depreciation for energy efficiency improvement work that I have carried out?

Yes, not only natural persons, but also legal persons (owners of a property used for rental housing) can benefit from accelerated depreciation.

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<sup>1</sup> <https://legilux.public.lu/eli/etat/leg/loi/2016/12/23/n20/jo>

#### 4. Can I ask for accelerated depreciation for housing that I live in myself?

No, accelerated depreciation is exclusively provided for housing that is rented out. The same applies to “normal” depreciation, by the way.

#### 5. Am I entitled to accelerated depreciation in case of energy efficiency improvement work on my rental housing?

Yes, article 32ter, paragraph 3 of the law amended on 4 December, 1967 concerning tax on income introduces and defines the notion of “**sustainable energy efficiency improvement**”, in other words **renovation work on rental housing** for which financial support for sustainable energy efficiency renovation of a building or part of a building has been granted (support subject to “Klimabonus” conditions).

In this case, a **depreciation rate of 6 per cent is permitted where the costs of investment relating to a sustainable energy efficiency improvement** to a building used for rental housing are incurred **if the completion of the renovation work goes back at least 9 years on 1 January of the taxation year**.

#### 6. The law amended on 4 December, 1967 relating to the tax on income concerns natural persons, does that mean that legal persons are not eligible?

No, article 32ter of this law also applies to legal persons (provided that an investment in or renovation to property used for rental housing is involved).

#### 7. Are the subsidies received as part of the “Klimabonus” programme deducted from the total taxable costs?

Yes, according to the definition of “costs of investment”, the subsidies are deducted from the total costs made for the sustainable energy efficiency improvement measure.

#### 8. What are the criteria for benefitting from the accelerated depreciation of 6%?

The following criteria must be met to apply the rate of depreciation of 6% to the costs of investment made for the sustainable energy efficiency improvement measure:

- The building must be intended for rental housing.
- The implementation of the renovation work must be aimed at improving the energy efficiency of the building in question.
- The completion of the renovation work goes back at least 9 years on 1 January of the taxation year.
- The project owner must have obtained financial support provided by the “Klimabonus” programme (financial support referred to in article 4 of the law amended on 23 December, 2016 instituting an aid scheme for promoting sustainability, the wise use of energy and renewable energies in the housing sector).

## **9. For how long can I benefit from this measure?**

The scheme applies to the year when the work is completed and to the 9 years that follow. There is therefore a potential tax gain over 10 years compared with normal depreciation.

Once the accelerated depreciation scheme no longer applies (after the 10 years), it is the depreciation scheme of 2% a year that applies, and it does so without any time limitation.

## **10. What is the procedure for benefiting from accelerated depreciation?**

If your costs relating to the housing in question are eligible for accelerated depreciation, you must state and fill out the corresponding depreciation schedule when you prepare your next income tax return. Your request must be accompanied by a tax balance sheet and the amount of depreciation not deducted.

If, as a taxpayer in receipt of a financial support for energy renovation, you receive authorization from the relevant ministry after the tax year for which you would have been entitled to accelerated depreciation, there are 2 possible scenarios:

If the financial assistance has been granted and taxation has not yet been carried out, you can submit an amending tax return or file a request for adjustment, adding the certificate for the financial support granted (even within three months of taxation).

On the other hand, if financial assistance has been granted and taxation has become definitive (i.e. after expiry of the three-month complaint period), the relevant tax office can no longer accept an amending tax return or request for adjustment (with the certificate for financial assistance in support).

RETENUES D'IMPÔT A LA SOURCE / DIVERSES DEMANDES		RD	
N° dossier		Année 2022	
		Contribuable	Contribuable conjoint/partenaire
C/AI	<input type="checkbox"/> Demande pour l'amortissement selon l'article 32, alinéa 1a L.I.R. (la demande doit être appuyée par un bilan fiscal et le montant de l'amortissement non déduit au bilan fiscal 2022 doit être indiqué)	<input type="checkbox"/> Bénéfice commercial 1901	<input type="checkbox"/> 1902
		<input type="checkbox"/> Bénéfice agricole et forestier 1903	<input type="checkbox"/> 1904
		<input type="checkbox"/> Bénéfice provenant de l'exercice d'une profession libérale 1905	<input type="checkbox"/> 1906
	Montant de l'amortissement non déduit au bilan fiscal 2022	1907	1908
Montant de l'amortissement différé déduit au bilan fiscal 2022	1909	1910	
C	<b>Demande en obtention d'une bonification d'impôt pour investissement</b>		
	<input type="checkbox"/> 1911 Selon report de la ligne 91 du modèle 800 (somme des lignes 20, 30 et 61 du modèle 800)	1912	1913
		1023	1912+1913 1024
			1070
<input type="checkbox"/> 1914 Selon report de la ligne 92 du modèle 800 (somme de la ligne 43 du modèle 800)	1915	1916	
	1153	1915+1916 1154	
		1076	
C/AI	<b>Demande en obtention d'une bonification d'impôt en cas d'embauchage de chômeurs</b>		
	<input type="checkbox"/> 1917 Selon report de la ligne 18 du modèle 805 (le certificat de l'Agence pour le développement de l'emploi (ADEM) attestant le placement et la continuation de l'emploi est à joindre pour chaque salarié)	1918	1919
	1033	1918+1919 1034	
		1075	

## 11. Practical examples:

### Example 1:

#### Assumptions:

A taxpayer, widowed, is the owner of a building, situated in Luxembourg and used for rental housing.

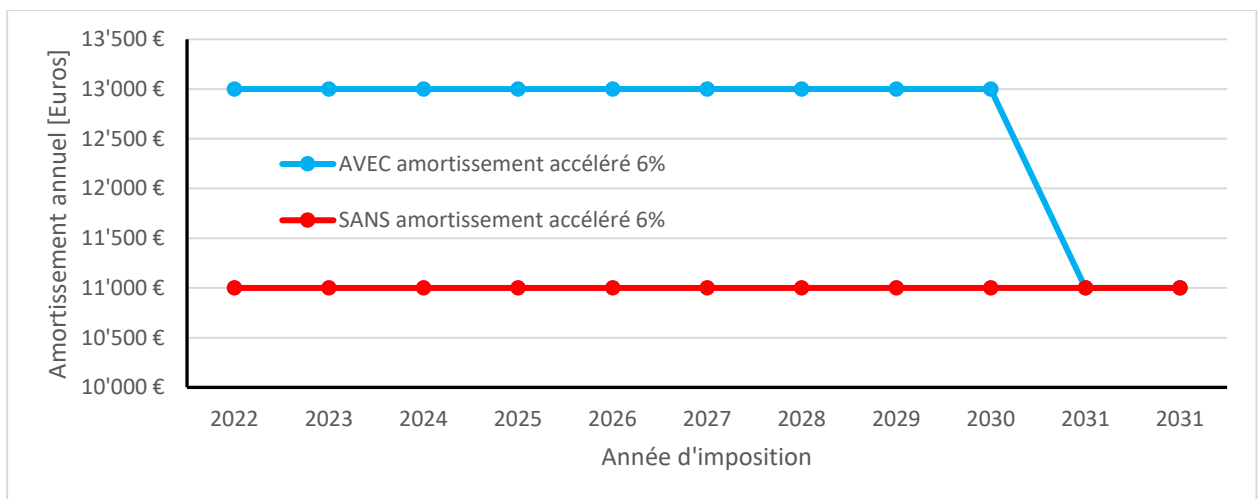
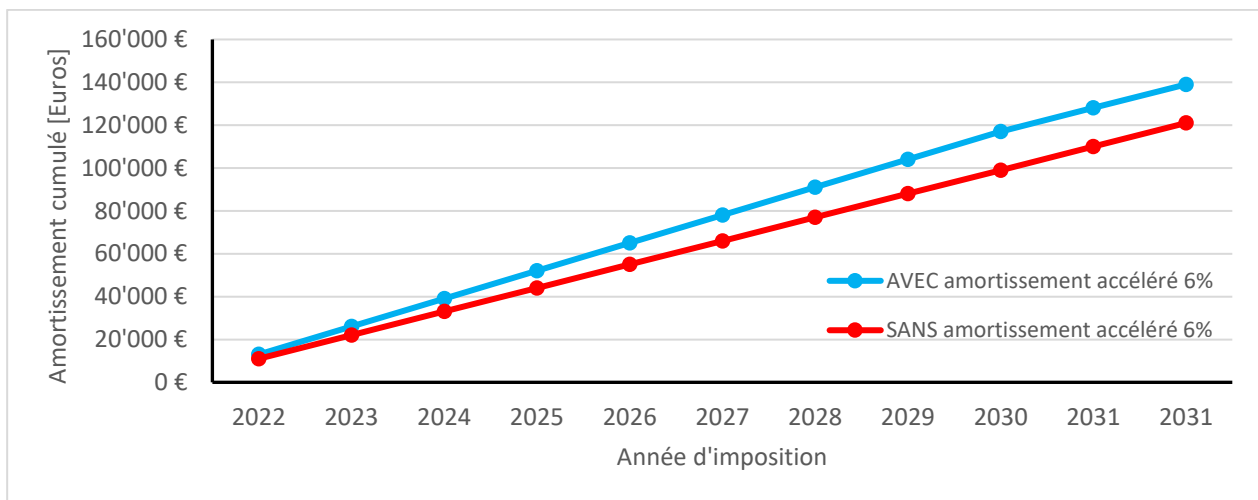
The property is part of taxpayer's private assets and has the following characteristics:

- date of purchase: 2 January, 2005
- land purchase price: €100,000
- purchase price of the construction: €500,000
- completion date of the energy efficiency improvement measure: 15 March, 2021
- cost of the energy efficiency improvement measure (after deduction of the financial support referred to in article 4 of the law amended on 23 December, 2016): €50,000

## Calculation of depreciation

The depreciation on the building for the 2022 taxation year is calculated as follows:

- $2\% \times 500,000 = \text{€}10,000$
- $6\% \times 50,000 = \text{€}3,000$
- ➔ **Total depreciation for 2022 of €13,000.**



## Conclusion

The taxpayer thus realises a net income under article 10, number 7 L.I.R. taxable in the Grand Duchy of Luxembourg and determined by taking into account **normal depreciation of 2% for the original construction** and **accelerated depreciation of 6%** pursuant to article 32 ter, paragraph 3 L.I.R.

owing to an **energy efficiency improvement measure** completed at least 9 years previously at 01/01/2022 on a property used for rental housing.

### **Example 2:**

#### **Assumptions**

A taxpayer, single, is the owner of a building, situated in Luxembourg and used for rental housing.

The property is part of taxpayer's private assets and has the following characteristics:

- date of completion: 30 June, 1980
- date of purchase: 1 July, 2000
- land purchase price: €50,000
- purchase price of the construction: €300,000

Renovation work on this building is carried out during 2021:

- date of completion of the work: 31 December, 2021
- costs of investment: €200,000.

The costs of investment are broken down as follows:

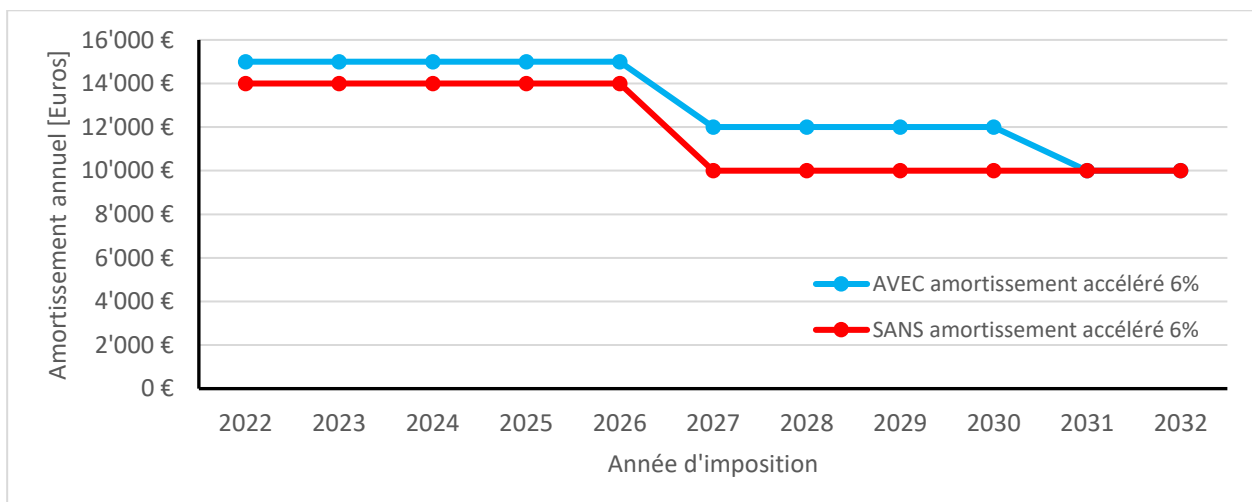
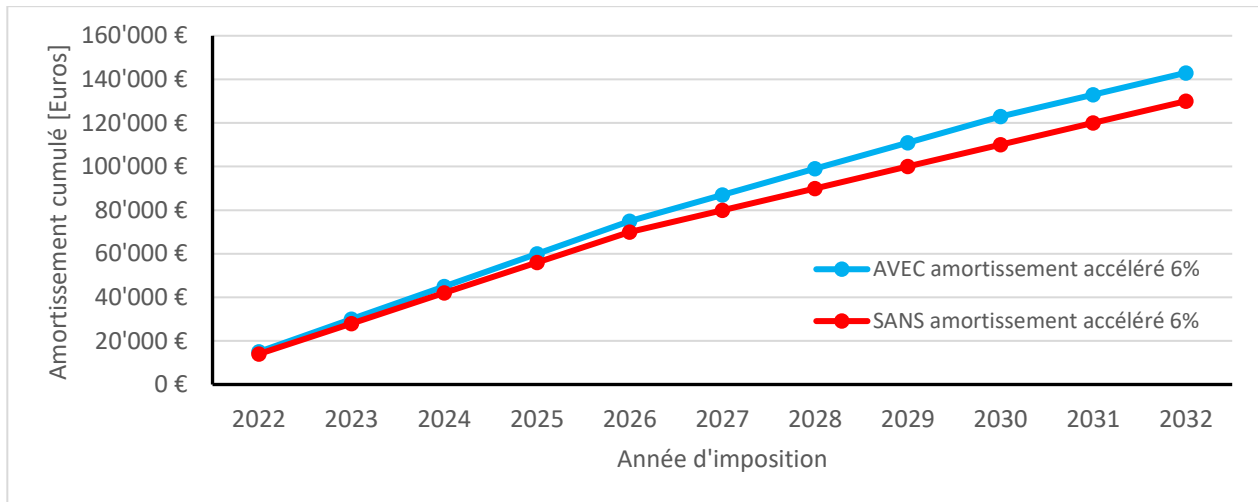
- cost of investment relating to a sustainable energy efficiency improvement measure (after deduction of the financial support referred to in article 4 of the law amended on 23 December, 2016): €50,000
- costs of investment not relating to a sustainable energy efficiency improvement measure: €150,000.

#### **Calculation of depreciation**

The depreciation on the building for the 2022 taxation year is calculated as follows:

- $(2\% \times 300,000) + (4\% \times 150,000) + (6\% \times 50,000)$

➔ **Total depreciation for 2022 of €15,000.**



## Conclusion

The taxpayer thus realises a net income under article 10, number 7 L.I.R. taxable in the Grand Duchy of Luxembourg and determined by taking into account **normal depreciation of 2% for the original construction, accelerated depreciation of 4% for the renovation not linked to an improvement of the building's energy efficiency and accelerated depreciation of 6%** pursuant to article 32 ter, paragraph 3 L.I.R. owing to an **energy efficiency improvement measure** completed at least 9 years previously at 01/01/2022 on a property used for rental housing.

### Example 3:

#### Assumptions

A taxpayer, married, is the owner of a building, situated in the municipality of Rédange-sur-Attert and used for rental housing.

The property is part of the private assets belonging to the taxpayer and his spouse and has the following characteristics:

- date of completion: 30 June, 1970
- date of purchase: 1 July, 1998
- land purchase price: €30.000
- purchase price of the construction: €200.000

Renovation work on this building is carried out during 2010:

- date of completion of the work: 16 July, 2010
- costs of investment: €80,000.

The costs of investment are broken down as follows:

- costs of investment relating to a sustainable energy efficiency improvement measure: €60.000
- costs of investment not relating to a sustainable energy efficiency improvement measure: €20,000.

#### Calculation of depreciation

The depreciation on the building for the 2022 taxation year is calculated as follows:

- $2\% \times 280,000$
- ➔ **Total depreciation for 2022 of €5,600.**



## Conclusion

The taxpayer thus realises a net income under article 10, number 7 L.I.R. taxable in the Grand Duchy of Luxembourg and determined by taking into account **normal depreciation of 2% for the original construction and the renovation work carried out in the course of 2010**. The taxpayer and his spouse **unfortunately are not able to benefit from the accelerated rate of depreciation of 6% on the renovation work relating to the improvement of the energy efficiency of the building given the condition of 9 years which cannot be fulfilled in this case.**

## Klima-Agence

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