

# Rent reduction – Covid-19

## Tax Tips - September 2021

In the context of the Covid-19 crisis, a taxpayer who, before December 31, 2020, has permanently waived all or part of his or her rent for the period from January 1, 2020 to December 31, 2021, may receive a tax rebate for the reduction granted.

*Reference: Circular L.I.R. No. A/21/1 of 7 April 2021 and the Law of 21 June 2021 amending the Law of 19/12/2020 on the revenue and expenditure budget of the State for 2021.*

### Conditions

The taxpayer must:

- Be a natural person or a collective organisation (i.e. a Luxembourg resident company such as S.A., S.à r.l., S.C.A., etc., or a Luxembourg permanent establishment of a non-resident entity, etc. and;
- Obtain a commercial, agricultural or forestry profit, professional income or income from the rental of property, and
- Own building or part of a building for rent.

The building must:

- Be located in Luxembourg and;
- Be leased under a lease agreement for the purpose of carrying out a commercial, industrial or craft activity (medical and legal activities are excluded).

The tenant must:

- Be a natural or legal person and;
- Be in a precarious situation caused by the economic situation in the context of the pandemic (in the event of a precarious situation prior to the date of March 18, 2020 (date of onset of crisis), the tax rebate cannot be applied). The motivation of the taxpayer to waive his rents must be the difficult financial situation of the tenant which is due to the pandemic (the tenant having no longer sufficient funds to cope with his rent installments and debts).

### Amount of the allowance

The amount of the allowance is twice the amount of the rent to which the owner has definitively renounced and is determined as follows:

#### Rents definitively waived by the taxpayer

- ▬ rental charges payable by the tenant (advances on charges)
- ▬ charges in connection with the lease contract concerned like depreciation, insurance premiums, interest expense and other financing costs (in connection with the acquisition of the immovable), property tax and maintenance and repairs, others (water, etc.)

▬ **Total x 2, with a ceiling of €15,000.00 per building**

The allowance is deducted from the yearly net rental income.

- ➔ This allowance cannot, however, lead to negative net rental income!


**Example:**

<b>Rental lease at €1,000.00 / month + €150.00 charges</b>		
	<b>Calculation</b>	<b>Amount</b>
Rent waived without advance payments	3X €1,000.00	€3,000.00
<b>Charges in relation to the lease agreement:</b>		
Other : water, electricity, gas (50.00 € /month)	€50.00 X 3	- €150.00
Depreciation (100.00 € / month)	€100.00 X 3	- €300.00
Insurance premiums (600.00 € / year)	(€600.00 /12) X 3	- €150.00
Interest expense and other financing costs (100.00 €/month)	€100.00 X 3	- €300.00
Property taxes (1,000.00 € /year)	(€1,000.00 / 12) X 3	- €250.00
Maintenance and repairs (150.00 € / month)	€150.00 X 3	- €450.00
		€1,400.00
	<b>X2</b>	<b>€2,800.00</b>
Deduction		<b>€2,800.00</b>

**Conclusion: The deduction will be €2,800.00 on the tax profit before taxes.**

**How can I apply for the tax rebate on rent reduction?**

The taxpayer must apply for the rent reduction on his tax return and complete a Form 191 per lease contract.

- **Collective organisation:** Model 500: tabs 8 (lines G2900 and G2910) and 13 (line R1900) and attaching Form 191.
- **Natural person:** Model 190 (line 25) or Model 210 (line 70). Where the immovable is allocated to a net invested asset, the deduction shall be deducted from the profit declared in model 100 (sheet C/A, cells 501 to 504 and 536 to 539 or sheet I, cells 601 to 604) by attaching Form 191.

**Supporting documents**

The taxpayer must attach a copy of the lease agreement with the tenant to Form 191. It should be the original lease agreement entered into with the tenant and not the amendment or other document signed between the parties to agree on the rent reduction.

In addition, the taxpayer must provide supporting documentation to justify the waiver of the rent or a portion of the rent granted to the tenant.

**Do you have any questions?**

**Please keep in touch with our team:**

**Mélina Rondeux**

Partner, International Tax - Chartered Accountant  
**T +352 45 38 78 747**  
**E melina.rondeux@lu.gt.com**

**Sophie Dubuisson**

Senior Manager, Tax & Accounting - Chartered Accountant  
**T +352 45 38 78 346**  
**E sophie.dubuisson@lu.gt.com**



**Grant Thornton**  
 13, rue de Bitbourg  
 L-1273 Luxembourg  
[www.granthornton.lu](http://www.granthornton.lu)

**T +352 45 38 78 1**  
**F +352 45 38 29**  
 **Grant Thornton Luxembourg**