

Minimum wage increase

Following a government decision in December 2018, the minimum wage (Salaire Social Minimum – SSM) has increased by €100.00 net with retroactive effect from 1 January 2019.

To implement this minimum wage increase, the legislator has provided for a **three-stage process**:

- 1 – **First SSM increase of 1.10%** (Law of 21 December 2018)
- 2 – **Second SSM increase of 0.90%** (Law of 1 March 2019)

	SSM – position as at 31/12/2018	SSM + 1.1% as from 01/01/2019	SSM + 0.9% as from 01/01/2019
SSM for an unskilled worker	€2,048.54	€2,071.10	€2,089.75
SSM for a skilled worker	€2,458.25	€2,485.32	€2,507.70

3 – Introduction of a new minimum wage tax credit (Crédit d'impôt Salaire Social Minimum – CISSM):

The CISSM is reserved for employees receiving an income close to the current SSM and can be granted to persons who:

- earn a taxable professional income in Luxembourg;
- are in possession of a withholding tax card;
- are personally registered with a social security scheme in Luxembourg or abroad.

Accordingly, for a gross monthly salary linked to a full-time position (including monthly remuneration, additional pay for overtime work, additional pay for hours of leave, periodic bonuses, etc.):

- from €1,500.00 to €2,500.00, the CISSM amounts to €70.00 per month;
- from €2,500.00 to €3,000.00, the CISSM amounts to $[70 / 500] \times [3,000 - \text{gross monthly salary}]$ per month.

No CISSM is granted for salaries below €1,500.00 or above €3,000.00.

Example 1: employee working part-time:

- Gross monthly salary for part-time work: €1,150.00
- Gross monthly salary for full-time work: $1,150 \times 176 / 88 = €2,300.00$

Using the formula, the theoretical CISSM amounts to €70.00, and should be granted in the amount of $70 \times 88 / 176 = €35.00$

Example 2: employee working full-time:

- Gross monthly salary for full-time work: €2,700.00

Using the formula, the theoretical CISSM amounts to: $0.14 \times [3,000 - 2,700] = 0.14 \times 300 = €42.00$