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Employer Overview Employee Benefits LUX

Increase the attractiveness of your employer brand



Employee Benefits are optional supplementary advantages you can choose to provide to your employees. In Luxembourg, two main benefits are commonly provided:

1. Complementary Pension Plans (Régime Complémentaire de Retraite).
2. Health plans or group medical insurance.

The principal benefit for employers is to strengthen their attractiveness to current and prospective employees, thereby enhancing talent recruitment and retention. Employee Benefits contribute directly to the social pillar of ESG by supporting employee health, financial well-being, and long-term financial resilience. They demonstrate a company's commitment to responsible employment practices, talent retention, employee engagement, and sustainable human capital management.

Although these benefits exist since decades in Luxembourg and are soundly regulated, a large disparity exists between sectors in the adoption of such plans. In the financial and advisory services sectors, employee benefits are widely adopted and have become a common component of the overall remuneration package. In industry and retail these plans remain an exception.

Employee Benefits are also more often provided by larger companies than by start-ups and small and medium companies as these fear to commit to future financial engagements. Since

2026 however, the Luxembourg government has created the possibility to submit the contributions to the economic situation of the company, thus eliminating the risk of needing to provide pension contributions during difficult economic times. The employer can also choose to differentiate the benefits between employee categories.

So today, regardless of the size of your organization or the sector you operate in, significant opportunities exist to differentiate your organization in an increasingly competitive labour market.

Contact us if you wish to discuss the opportunities for your organization:

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1 Complementary Pension Plan (RCP)

A Pension Plan (Régime Complémentaire de Pension or RCP) is an employer-sponsored retirement plan that supplements Luxembourg's statutory pension system. It allows employees to build additional retirement savings through employer contributions and usually also includes death and disability benefits.

Providing a pension plan sends a strong message that the employer is committed not only to the current employment relationship, but also to the long-term financial security of its employees and their families.

1.1 Benefits

Each plan is tailor-made and the employer can opt include:

1. Complementary pension: usually an employer contribution of between 2,5 % and 8 % of the annual salary.
2. A lump-sum paid to the beneficiaries in case of death of the employee.
3. A disability pension in case of permanent disability of the employee.
4. A possibility to invest part of the bonus of employees subject to the agreement of the employee.

1.2 Tax advantage > net advantage

1.3 Personal contribution

The RCP by default gives employees the opportunity to invest personal contributions of up to 1200 EUR per year, income tax deductible.

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1.4 Employer contribution

The employer contribution is subject to a flat rate tax of 20% plus 0.9% employment fund contribution. Given that on salary social contributions and income tax applies the RCP provides a considerable benefit.

Let's presume the employer wishes to allocate 100 EUR to their employees. In case this allocation is given as salary the final net received by the employee will be around 48 to 53 EUR. In case the 100 EUR is allocated in a pension plan, the final net for the employee will be approximately EUR 98 after the current health and dependency contributions applicable at retirement. Thus, for each 100 euros invested in the pension an advantage of 45 euros is obtained by the employee. The following table gives the details of this comparison.

Item	Salary	RCP Pension Plan
Total employer cost	EUR 120.18	EUR 120.18
Gross amount allocated to employee	EUR 100.00	EUR 100.00
Employee social security contributions	- EUR 12.00	EUR 0.00
Employee income tax (high-income profile)	- EUR 35.00 to 40.00	EUR 0.00
Net value available initially	EUR 48.00 to 53.00	EUR 100.00 invested
Investment growth	On employee's net savings only	On full EUR 100.00
Luxembourg income tax at retirement	N/A	EUR 0.00
Health & dependency contributions at retirement*	N/A	- EUR 1.90
Final net value received by employee	**EUR 48.00 to 53.00**	**EUR 98.10**

* Assuming a total contribution rate of approximately 1.9% at retirement.

The tax and social security advantages described above are based on the legislation and administrative practice currently in force in Luxembourg and may change over time. The actual benefits for any employee will depend on their individual circumstances, including their tax residence, personal tax situation, and the applicable legal and regulatory framework at the time contributions are made and benefits are paid.

2 Group medical insurance

Group medical insurance can also be tailor-made for the company although for smaller team sizes standard products of the insurers are appropriate.

2.1 Benefits

The health plans provide enhanced healthcare coverage by supplementing statutory health insurance, helping employees cover costs for:

- Medication.
- Hospitalization.
- Out patient interventions.
- Dental.
- Vision.
- Other healthcare expenses.

The employer can opt to cover the total premium of the comprehensive insurance for the benefit of the employee or provide for example only the hospitalization cover with an option for the employee to add the complementary covers. Usually, family members can also benefit from the health insurance and in that case the employee will pay the corresponding premiums via a contribution on the salary.

2.2 Advantages for employees

Apart from the financial advantage received due to the payment of the premium by the employer the main advantage for the employee is that there is usually no waiting period for the health benefits and that prefixed tariffs usually apply to the whole group of employees regardless of preexisting conditions.

Compared to the pension benefits, the health benefits often are more appreciated by younger people as they provide an immediate financial advantage for them and their family members.

2.3 Tax

For health plans, no specific tax incentives are provided. However, the premium paid by the employer does constitute an advantage in kind that is subject to income tax. The tax treatment may vary depending on the structure of the plan and the category of coverage provided.

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