



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Ministère des Finances

de Budgets- plang 2023

Draft Budgetary Plan

Luxembourg – 12 October 2022

1. Introduction

In accordance with Article 6 of EU Regulation 473/2013, Luxembourg hereby presents its Draft Budgetary Plan for 2023 (DBP 2023).

Luxembourg's DBP 2023 is based on the most recent macroeconomic forecasts produced independently by STATEC, including the updated inflation forecasts following the Tripartite agreement of end-September 2022, and it draws upon the budgetary objectives outlined in the draft budget 2023. The Government submitted its draft budget 2023 to Parliament on 12 October 2022.

Following the economic recovery and the improvement of public finances after the pandemic crisis, the starting position in 2022 was more favourable than initially expected. However, the outbreak of the Russian-Ukrainian conflict and the continually rising prices disrupted the positive trends. The military invasion by Russia has sent shockwaves through Europe, with a significant impact also on the national economy.

The impact of the conflict exacerbates inflationary pressures that had already emerged in the second half of 2021 as a result of the synchronised global economic recovery and materialises above all via a surge in commodity and energy prices.

Amid rising energy prices, the Government, in consultation with social partners, has taken several sets of measures to mitigate the inflationary effects and provide targeted support to citizens, especially to vulnerable households, and affected businesses.

While the evolution of public finances was better than expected during the first two quarters of 2022, the outlook for the rest of the year and for 2023 is less favourable due to the highly uncertain economic outlook and the ongoing disbursement of the different support packages. The general government balance thus slips back into a deficit in 2022 and 2023.

Based on the priorities set out in the 2018-2023 coalition agreement, the budgetary objectives in 2023 continue to be geared towards sustainable and qualitative growth, competitiveness, the maintenance of social cohesion and the strengthening of household's purchasing power.

The budgetary strategy thus sets out to meet the challenges arising under the twin transition through an ambitious public investment policy, while adopting a responsible and forward-looking approach in light of the many uncertainties surrounding the economic outlook.

As the general escape clause remains in place in 2023, Member States are allowed to continue to temporarily deviate from the applicable fiscal rules. Consequently, Luxembourg is exempt from the obligation to meet its medium-term objective (MTO).

Similarly to the general escape clause at the European level, the national clause for exceptional circumstances provided for in Article 6(1) of the amended law of 12 July 2014 on the coordination and governance of public finances will also continue to apply in 2023.

Despite the temporary suspension of the fiscal rules, the general government deficit is projected to be below 3% of GDP in 2022 and 2023. Public debt is expected to increase, but to remain below the threshold of 30% of GDP set in the government coalition agreement.

Luxembourg thus underscores its continued strong commitment to sustainable, sound and balanced public finances, including through maintaining the highest AAA credit rating.

2. Macroeconomic forecasts

The global economic outlook has deteriorated significantly over the past months. Russia's war of aggression against Ukraine has triggered a surge in energy prices to unprecedented levels, further exacerbating inflationary pressures. At the same time, global monetary policy tightening to tame inflation is leading to a slowdown in global demand. Additional uncertainties such as renewed disruptions in production and supply chains, particularly in China, continue to exist beyond the risks stemming from the Russian war against Ukraine.

Risks to the macroeconomic outlook remain exceptionally high and are tilted to the downside for the Euro area. Following a pronounced post-pandemic recovery in 2021 with economic activity growing at 5.3%, Euro area growth is forecast to lose some momentum and decrease to 2.7% in 2022. Taking into account the uncertainties surrounding the handling of inflationary pressures and their impact on the European economy, growth is expected to slow to 1.1% in 2023.

Similarly to the Euro area, Luxembourg experienced a strong economic recovery with growth reaching 5.1% in 2021. In parallel to the slowdown at European level, economic activity in Luxembourg is expected to lose momentum in 2022 and 2023. STATEC forecasts that Luxembourg's real GDP will grow by 2.5% in 2022 and by 2.0% in 2023.

Inflationary pressures have emerged already in 2021 under a synchronised global economic recovery, but the situation has worsened following the Russian invasion of Ukraine. Since February 2022, year-on-year increases of inflation rates have exceeded 6%.

The solidarity package ("Solidaritéitspak 2.0") agreed between the Government and the social partners at the end of September 2022 (see box) should help easing inflationary pressures. The inflation rate (NICP) is estimated at 6.2% in 2022 and at 2.8% in 2023. HICP inflation is projected at 8.0% in 2022 and at 2.9% in 2023.

STATEC forecasts that the next wage indexation will be triggered in the first quarter of 2023. As such, two index tranches would have to be paid in 2023: the July 2022 tranche that was postponed to April 2023, as well as the tranche resulting from the automatic indexation mechanism.

The labour market is expected to remain dynamic with employment growing at 3.4% in 2022. The number of job seekers is currently stable and is expected to reach 4.7% (ADEM definition) in 2022. Due to the uncertainties underlying the country's economic outlook, employment growth is expected to decline to 2.0% and the unemployment rate is expected to rise to 4.9% in 2023.¹

On the basis of the common EU methodology applied to forecasts and macroeconomic data from STATEC, potential growth for Luxembourg is estimated at 2.6% in 2022 and at 2.1% in 2023. The output gap, which represents the difference between real GDP and potential GDP, remains negative and is estimated at -0.4% and at -0.5% of potential GDP in 2022 and 2023, respectively.

¹ Based on the Eurostat harmonised definition, unemployment rates are projected at 4.3% in 2022 and 4.5% in 2023.

3. Budgetary objectives and policy

Thanks to its consistently prudent management of public finances, Luxembourg was able to benefit from a favourable budgetary starting position at the onset of the energy crisis and the armed conflict in Ukraine. Thus, the Government disposes of the necessary room for manoeuvre to finance the costs of the measures to dampen inflationary pressures and preserve social cohesion.

Budgetary policy in 2023 is built on a responsible and forward-looking approach, taking into account the measures adopted in response to the energy crisis. It addresses the priorities of the 2018-2023 coalition agreement and continues to address the country's structural challenges.

The Government's budgetary policy is designed to enable sustainable and qualitative growth. This includes maintaining a competitive and attractive economic environment with a strong social dimension, while addressing the challenges arising under the twin transition via an ambitious investment programme.

Faced with the considerable rise in energy prices, and consumer prices in general, the Government decided upon three complementary packages of measures (the "Energiedësch" package, the "Solidaritéitspak" package and the "Solidaritéitspak 2.0" package) to mitigate adverse repercussions on households and companies.

The social dialogue was the central platform of exchange between the Government, employers and trade unions in the development of these packages of measures. The consultations that were conducted within the Tripartite Coordination Committee led to an agreement on the "Solidaritéitspak" and "Solidaritéitspak 2.0" packages.

The cumulative volume of the support measures, including the State guarantees made available to companies, amounts to 2.5 billion euros (3.3% of GDP).

Box: Discretionary measures in the context of the energy crisis

Due to the surging energy prices, the Government convened the energy sector around the so-called "Energiedësch" (energy table) in February 2022. The exchange resulted in a first series of measures to reduce energy bills.

Accelerating price pressures prompted the Government to convene social partners within the context of the Tripartite in March 2022. The result of this meeting was the "Solidaritéitspak" package with measures to maintain the purchasing power of households and to support companies.

In light of the deteriorating economic environment and persistently high inflation levels, a third package of measures, the "Solidaritéitspak 2.0" package, was agreed upon in September 2022 at another round of Tripartite talks. The measures are designed to (a) reduce inflation, (b) support households and businesses and (c) promote the energy transition.

The "Solidaritéitspak 2.0" package of measures includes the following elements:

- **Limitation of the increase in gas prices to 15% for households.** This measure limits the increase in gas prices to +15% compared to the average price level in September 2022. The measure will apply from October 2022 to December 2023.
- **Stabilisation of electricity prices for households.** Electricity prices are stabilised at their 2022 level for all domestic customers. The measure will apply from January to December 2023.
- **Adaptation and extension of the reduction of the price of heating oil.** In order to reduce households' energy bills, the reduction by 7.5 cents per litre of the consumer price of heating oil is increased to 15 cents per litre and extended until the end of 2023.
- **Temporary reduction in the VAT rate of one percentage point.** From January to December 2023, VAT rates are temporarily reduced by one percentage point to lower final consumer prices. The VAT rates are reduced from 17% to 16% for the standard VAT rate, from 14% to 13% for the intermediate rate and from 8% to 7% for the reduced rate.
- **Renewal of the energy allowance for low-income households in 2023.** The unique energy allowance to reduce household energy bills will be renewed in 2023. Households benefitting from the cost-of-living-allowance (AVC) and households whose income is up to 25% higher than the income qualifying for the cost-of-living allowance are entitled to receive the energy allowance.
- **Support for accommodation facilities to cover energy costs.** Part of the increase in energy costs for integrated centers for the elderly, care homes, supported living infrastructures and psycho-geriatric day centres will be financed from 1 October 2022 in exchange for the stabilisation of prices paid by residents.
- **Modification of the aid scheme for companies particularly affected by the rise in energy prices.** The aid scheme introduced by the law of 15 July 2022 is amended in accordance with the European Commission's temporary crisis framework. The reference period is adjusted from the year 2021 to the month for which an application for aid has been made.
- **Energy support scheme for companies.** Under the European Commission's Temporary Crisis Framework, a new support scheme is introduced for companies whose energy costs represent at least 2% of their revenue. If electricity and/or gas prices increase by

80% compared to 2021, a subsidy amounting to 70% of the cost exceeding the 80% threshold can be granted. The measure should apply from October 2022 to June 2023.

- **Amendment of the draft law transposing the “Work Life Balance” Directive.** The State reimburses employers for 50% of costs arising from care-giver leaves and leaves on the ground of “force majeure” related to urgent and unforeseen family circumstances.
- **Promotion of photovoltaic electricity generation by companies.** Introduction of incentives for companies to cover all or part of their energy consumption by their own electricity generation.
- **Additional subsidies for the energy transition.** Additional subsidies will be introduced to promote the replacement of fossil fuelled boilers, the installation of photovoltaic systems and sustainable energy renovation.

Measure	Budgetary impact in 2022 and 2023	
	in millions of euros	in % of GDP
« Solidaritéitspak 2.0 » package of measures	1 162	1.5%
Limitation of the increase in gas prices to 15% for households	470	0.6%
<i>of which: subsidy for gas network costs</i>	80	0.1%
<i>of which: price stabilisation</i>	390	0.5%
Stabilisation of electricity prices for households	110	0.1%
Adaptation and extension of the reduction of the price of heating oil	35	<0.1%
Temporary reduction in the VAT rate of one percentage point	317	0.4%
Study on a subsidy for petroleum gas for households	-	-
Adaptation of the minimum social wage to the evolution of the average wage	-	-
Renewal of the energy allowance for low-income households in 2023	7	<0.1%
Support for accommodation facilities to cover energy costs	8	<0.1%
Modification of the aid scheme for companies particularly affected by rising energy prices (law of 15 June 2022)	25	<0.1%
Energy support scheme for businesses	150	0.2%
Modernisation of the tax credit for investments	0	0.0%
Amendment to the draft law transposing the “Work Life Balance” Directive	4	<0.1%
Promotion of photovoltaic electricity generation by companies	30	<0.1%
Support for long-term contracts (PPA)	-	-
Abolishment of the advance payment of social security contributions	-	-
Increase of the “Klimabonus” subsidies	3.7	<0.1%
Application of the reduced VAT rate of 3% to new photovoltaic installations	1	<0.1%
Suspension of the linear price decrease for new photovoltaic installations	-	-
Introduction of a measure to mitigate increases in pellets prices for households	1	<0.1%
Compensation of a possible third index tranche in 2023
« Solidaritéitspak 1.0 » package of measures and measures taken in addition to the final Tripartite agreement	847	1.1%
« Energiedësch » package of measures	65	<0.1%
Total (without guarantees)	2 074	2.7%
<i>Aid scheme in the form of guarantees from the « Solidaritéitspak »</i>	500	0.6%
Total (with guarantees)	2 574	3.3%

While the nominal balance of the general government showed a surplus of +0.8% of GDP in 2021, the situation is expected to deteriorate in 2022 with a fall in the nominal balance to -0.4% of GDP. The deterioration of the general government balance is set to continue in 2023 with a deficit of -2.2% of GDP.

The variation in the nominal balance of the central government can be traced back to the deterioration of the central government balance, due to less favourable macroeconomic circumstances and the deployment of the measures decided in the context of the "Solidaritéitspak (1.0)" and the "Energiedësch" support packages. The nominal balance of the central government is set to reach a deficit of -1.7% of GDP in 2022, before deteriorating further to -3.4% of GDP in 2023 with the deployment of the measures included in the "Solidaritéitspak 2.0" package and the pursuit of an ambitious public investment agenda.

Despite a still positive evolution of public revenues in 2022 and high inflation supporting the tax base, revenue growth is set to decrease from +6.6% in 2022 to +5.6% in 2023. This slowdown is also due to the generalised reduction in VAT rates. In addition, the Government has decided to implement a series of targeted tax measures in 2023 to strengthen the purchasing power of single-parent households (increase of the single-parent tax credit), to promote the energy transition and the circular economy (e.g. reduction in the VAT rate for photovoltaic installations), to strengthen Luxembourg's attractiveness for talents (e.g. reduction in the threshold for the impatriate regime) and to address challenges in the housing sector (limitation of accelerated amortisation).

Public expenditure is set to increase by +9.5% in 2022 and by +10.1% in 2023 under the dual effect of high inflation and the implementation of support measures (see box). Despite 2023 marking the final year of the current legislative period, and in parallel to the support measures for households and businesses, the Government continues to pursue its efforts to foster qualitative and sustainable growth in accordance with the priorities outlined in the coalition agreement, including in the areas of mobility, housing, the environment and digitalisation.

Despite the considerable efforts deployed in response to the ongoing crisis, public investment is set to increase from 4.2% of GDP in 2022 to 4.6% of GDP in 2023, contributing to a successful transition to a more sustainable and digital economy. The Government's ambitious investment agenda is complemented by the implementation of the Recovery and Resilience Plan.

Public debt is expected to reach 24.6% of GDP in 2022 and to increase to 26.3% of GDP in 2023. This progression is due to the mechanical imputation of the deficit in the central government balance to the public debt level in 2023. Luxembourg thus continues to respect its own ceiling of 30% of GDP. When netting out the impact of the support measures adopted in the context of the energy and the pandemic crisis, public debt would only reach 19.7% of GDP in 2023.

The general government as a whole also holds financial assets totalling an estimated 47% of GDP, of which around 36% of GDP is held in the pension system reserve to which the social security surpluses are allocated. The financial position of the public sector - on a net basis - therefore continues to remain largely positive as financial assets exceed the level of debt.

Luxembourg continues to follow a prudent approach when estimating its budgetary forecasts, both in terms of public revenue and expenditure. The preceding holds true for all estimates presented in the present DBP 2023, for both years 2022 and 2023.

4. Update of the table related to the recommendations adopted in the context of the European Semester 2022

In 2022, the European Commission reinstated the country-specific recommendations on structural economic policies in the context of the European Semester.

Table 9 provides an update on the implementation of the country-specific recommendations in light of the recommendations obtained in the context of the 2022 European Semester.

Statistical Annex

1. Macroeconomic forecasts

Table 0. Basic assumptions

	Year 2021	Year 2022	Year 2023
Short-term interest rate (annual average)	-0.5	0.0	1.0
Long-term interest rate (annual average)	0.1	1.7	2.2
USD/€ exchange rate (annual average)	1.18	1.06	1.06
Nominal effective exchange rate	0.94	0.95	0.95
Euro area GDP growth	5.3	2.7	1.1
Growth of relevant foreign markets	7.2	8.7	4.8
Oil prices (Brent, USD/barrel)	71	106	97

Table 1.a. Macroeconomic prospects

	ESA code	Year 2021	Year 2021	Year 2022	Year 2023
		Level	rate of change	rate of change	rate of change
1. Real GDP (reference year = 2015) (million EUR)	B1*b	62 184	5.1	2.5	2.0
2. Potential GDP (million EUR)		62 403	2.1	2.6	2.1
3. Nominal GDP (million EUR)	B1*b	72 295	11.6	7.8	6.4
Components of real GDP					
4. Private final consumption expenditure (million EUR)	P.3	19 962	9.4	3.8	2.6
5. Government final consumption expenditure (million EUR)	P.3	11 178	5.4	2.7	2.9
6. Gross fixed capital formation (million EUR)	P.51	11 154	8.8	8.1	-11.4
7. Changes in inventories and net acquisition of valuables (% of GDP)	P.52 + P.53	...	0.0	0.0	0.0
8. Exports of goods and services (million EUR)	P.6	129 914	9.7	3.1	2.2
9. Imports of goods and services (million EUR)	P.7	110 053	11.8	4.0	1.1
Contributions to real GDP growth					
10. Final domestic demand		...	5.4	3.2	-0.8
11. Changes in inventories and net acquisition of valuables	P.52 + P.53	...	0.0	0.0	0.0
12. External balance of goods and services	B.11	...	-0.3	-0.6	2.8

Table 1.b. Price developments

	ESA code	Year 2021	Year 2021	Year 2022	Year 2023
		Level	rate of change	rate of change	rate of change
1. GDP deflator (2005=1)		1.16	6.2	5.2	4.3
2. Private consumption deflator		1.10	1.4	6.7	5.2
3. NICP		108.94	2.5	6.2	2.8
4. HICP		109.61	3.5	8.0	2.9
5. Export price deflator (goods and services)		1.18	7.8	7.0	2.8
6. Import price deflator (goods and services)		1.16	6.5	7.8	3.0

Table 1.c. Labour market developments

	ESA code	Year 2021	Year 2021	Year 2022	Year 2023
		Level	rate of change	rate of change	rate of change
1. Employment, persons ¹ (in 1000 pers.)		486	3.0	3.4	2.0
2a. Unemployment rate ²		15.8	5.3	4.3	4.5
2b. Unemployment rate ³		17.1	5.7	4.7	4.9
3. Labour productivity, persons ⁴		...	2.1	-0.9	0.0
4. Compensation of employees (billion EUR)	D.1	35.3	9.3	9.9	7.7
5. Compensation per employee (1,000 EUR/year)		73	6.3	6.5	5.7

¹ Occupied population, domestic concept national accounts definition.

² Harmonised definition, Eurostat.

³ ADEM definition.

⁴ Real GDP per person employed.

2. Budgetary targets

Table 2.a. General government budgetary targets broken down by subsector

	ESA code	Year 2022	Year 2023
		% GDP	% GDP
Net lending (+) / net borrowing (-) (B.9) by sub-sector¹			
1. General government	S.13	-0.4	-2.2
2. Central government	S.1311	-1.7	-3.4
3. State government	S.1312
4. Local government	S.1313	0.0	0.0
5. Social security funds	S.1314	1.3	1.2
6. Interest expenditure	D.41	0.2	0.2
7. Primary balance ²		-0.2	-2.0
8. One-off and other temporary measures ³	
9. Real GDP growth (%)		2.5	2.0
10. Potential GDP growth (%)		2.6	2.1
11. Output gap (% of potential GDP)		-0.4	-0.5
12. Cyclical budgetary component (% of potential GDP)		-0.2	-0.2
13. Structural balance		-0.2	-2.0

¹ TR-TE=B.9.

² The primary balance is calculated as (B.9, item 1) plus (D.41, item 6).

³ A plus sign means deficit-reducing one-off measures.

Table 2.b. General government debt developments

	ESA code	Year 2022	Year 2023
		% GDP	% GDP
1. Gross debt ¹		24.6	26.3
2. Change in gross debt ratio		0.1	1.7
Contribution to the gross debt ratio			
3. Financing requirements of the central government administration		1.9	3.3
4. Denominator effect		-1.8	-1.5
5. Others		0.0	-0.1
p.m.: Implicit interest rate on debt ²		0.7	0.7

¹ As defined in amended Regulation 479/2009.

² Proxied by interest expenditure divided by the debt level of the previous year.

Table 2.c. Contingent liabilities

Measures		Date of adoption	Maximum amount (% of GDP)	Estimated take-up (% of GDP)
In response to COVID-19	State guarantee scheme ¹	Apr-20	3.2	0.2
	Ducroire Office ¹	Apr-20	0.2	0.1
	European Guarantee Fund at the EIB ²	Jun-20	0.1	0.0
	SURE Guarantee ¹	Jun-20	0.1	0.1
	Sub-total		3.6	0.5
Other	State guarantees (not COVID-19 related) ³	...	8.4	5.2
	of which to the financial sector ⁴	...	5.2	3.5
	Sub-total		8.4	5.2
Total			12.0	5.7

The amount of outstanding guarantees corresponds to

¹ the amount granted until 30 September 2022 ;

² the amount granted until 31 August 2022 ;

³ the amount granted until 31 December 2021.

It should be noted that the amount of state guarantees (not COVID-19 related) excludes the state guarantees of EUR 500 million decided in the framework of the "Solidaritétspak" (March 2022).

⁴ Including the credit line to the Single Resolution Fund.

3. Expenditure and revenue projections under the no-policy change scenario

Table 3. General government expenditure and revenue projections at unchanged policies broken down by main components

General government (S.13)	ESA code	Year	Year
		2022	2023
		% GDP	% GDP
1. Total revenue at unchanged policies	TR	43.2	43.2
Of which:			
1.1. Taxes on production and imports	D.2	11.8	11.7
1.2. Current taxes on income, wealth, etc.	D.5	15.2	15.4
1.3. Capital taxes	D.91	0.3	0.2
1.4. Social contributions	D.61	11.8	12.0
1.5. Property income	D.4	1.1	1.1
1.6. Other		3.0	2.8
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995)		39.1	39.3
2. Total expenditure at unchanged policies	TE	43.6	43.9
Of which:			
2.1. Compensation of employees	D.1	10.2	10.3
2.2. Intermediate consumption	P.2	4.4	4.4
2.3. Social payments	D.621	18.3	18.4
of which: Unemployment benefits		0.8	0.8
2.4. Interest expenditure	D.41	0.2	0.1
2.5. Subsidies	D.3	1.2	1.0
2.6. Gross fixed capital formation	P.51	4.2	4.5
2.7. Capital transfers	D.9	1.4	1.3
2.8. Other		3.8	3.9
3. Financing capacity / requirements		-0.4	-0.7

4. Expenditure and revenue targets

Table 4.a. General government expenditure and revenue targets, broken down by main components

	ESA code	Year 2022	Year 2023
General government (S.13)		% GDP	% GDP
1. Total revenue target	TR	43.2	42.9
Of which:			
1.1. Taxes on production and imports	D.2	11.8	11.3
1.2. Current taxes on income, wealth, etc.	D.5	15.2	15.4
1.3. Capital taxes	D.91	0.3	0.2
1.4. Social contributions	D.61	11.8	12.0
1.5. Property income	D.4	1.1	1.1
1.6. Other ¹		3.0	2.9
p.m.: Tax burden (D.2+D.5+D.61+D.91-D.995) ²		39.1	38.9
2. Total expenditure target	TE ³	43.6	45.1
Of which:			
2.1. Compensation of employees	D.1	10.2	10.3
2.2. Intermediate consumption	P.2	4.4	4.5
2.3. Social payments	D.62 + D.632	18.3	18.4
of which Unemployment benefits ⁴		0.8	0.8
2.4. Interest expenditure	D.41	0.2	0.2
2.5. Subsidies	D.3	1.2	1.6
2.6. Gross fixed capital formation	P.51	4.2	4.6
2.7. Capital transfers	D.9	1.4	1.5
2.8. Other ⁵		3.8	4.0
3. Financing capacity / requirements		-0.4	-2.2

¹ P.11+P.12+P.131+D.39+D.7+D.9 (other than D.91).

² Including those collected by the EU and including an adjustment for uncollected taxes and social contributions D.995), if appropriate.

³ TR-TE= B.9.

⁴ Includes cash benefits (D.621 and D.624) and in kind benefits (D.631, SEC2010: D.632) related to unemployment benefits.

⁵ D.29+D.4 (other than D.41)+D.5+D.7+P.52+P.53+K.2+D.8.

Table 4.b Amounts to be excluded from the expenditure benchmark

	ESA code	Year 2021	Year 2021	Year 2022	Year 2023
		Level	% GDP	% GDP	% GDP
1. Expenditure on EU programmes fully matched by EU funds revenue		146	0.2	0.2	0.2
2. Cyclical unemployment benefit expenditure		754	1.0	0.8	0.8
3. Effect of discretionary revenue measures		-19	0.0	-0.5	-0.1
4. Revenue increases mandated by law	

Tableau 4.c General government expenditure by function

4.c.i) General government expenditure on education, healthcare and employment

	2021		2022	
	% GDP	% of general government expenditure	% GDP	% of general government expenditure
Education	4.8	11.0	4.9	11.0
Health	5.5	12.6	5.7	12.6
Employment	1.4	3.2	1.4	3.0

4.c.ii) Classification of the functions of the Government

Functions of the Government	COFOG code	2021	2022
		% GDP	% GDP
1. General public services	1	4.8	4.9
2. Defense	2	0.4	0.5
3. Public order and safety	3	1.2	1.3
4. Economic affairs	4	5.5	5.7
5. Environmental protection	5	0.9	1.0
6. Housing and community amenities	6	0.6	0.6
7. Health	7	5.5	5.7
8. Recreation, culture and religion	8	1.2	1.2
9. Education	9	4.8	4.9
10. Social protection	10	18.6	19.2
11. Total expenditure	TE	43.6	45.1

5. Description of discretionary measures included in the draft budget

Table 5. Discretionary measures taken by Central government

List of measures	Detailed description	ESA code	Accounting principle	Adoption Status	Budgetary impact				
					2022		2023		
					in m	% GDP	in m	% GDP	
REVENUES									
Adaptation of accelerated amortization	The accelerated tax amortisation scheme of 4 per cent is limited to two buildings or parts of buildings used for rental housing, acquired or built after 31 December 2022	D.5	Cash	Draft budget	-	-	0	0.0	
Competitiveness and talent attraction measures	Measure - to allow the calculation of the threshold for the "prime participative" within the integrated group - to reduce the threshold under the impatriates' regime from EUR 100,000 to EUR 75,000	D.5	Cash	Draft budget	-	-	-5	0.0	
Adjustment to the single parent tax credit	The maximum amount of the tax credit is increased from EUR 1,500 to EUR 2,505 and the taxable income up to which the maximum amount of the tax credit applies, is increased from EUR 35,000 to EUR 60,000	D.5	Cash	Draft budget	-	-	-9	0.0	
VAT reduction for specific items	The super-reduced VAT rate of 3% is applied to the delivery and installation of solar panels and the reduced VAT rate of 8% is applied to the repair of household appliances as well as to the sale, hire and repair of bicycles, including pedal-assisted bicycles.	D.2	Cash	Draft budget	-	-	-1	0.0	
Package of measures "Solidaritétspak 2.0" decided at the end of September 2022 in the context of the energy crisis	Package of measures focused on reducing inflation, supporting households and businesses with specific measures and promoting the energy transition	D.2	Cash	Bill currently being drafted	-	-	-317	-0.4	
TOTAL - Revenues					-	-	-332	-0.4	
EXPENDITURE									
Increase in certain public expenses	- Expert fees, particularly in the context of digitalisation - Reimbursement to the airport company of certain operating costs - Paternity leave: eligibility of the self-employed - Creation of the "orientation.lu" platform - Maintenance and repair work on waterways following floods - Development of the financial centre	P.2	Cash	Draft budget	-	-	55	0.1	
Various public investments	- Construction of an aviation fuel depot at the Luxembourg Airport and other capital expenditure - Railway investment projects - Initial investment costs for the restoration of forest stands - Acquisition in the framework of the Computer Emergency Response Team, the Grand Ducal Police, the integrated radio network	P.51	Cash	Draft budget	-	-	57	0.1	
Subsidies	- Contribution to the financing of the public television service - Contribution to the salaries of disabled employees allocated to sheltered workshops - Reorganisation of the RGTR network - Increase of school transport services provided by private companies	D.3	Cash	Draft budget	-	-	44	0.1	
Social benefits	-Adaptation of the REVIS, RPGH and SSM, reform of parental care and establishment of a new shelter	D.62	Cash	Draft budget	-	-	43	0.1	
Transfers to central government organisations	- Participation in the investment costs of the tramway extension - Participation in the costs of certain public institutions - Participation in public services provided by the national railway company - Financial allocation in the interest of the National Data Protection Commission - State allocation for the benefit of the public institution "Corps grand-ducal d'incendie et de secours"	D.7	Cash	Draft budget	-	-	35	0.0	
Transfers within the general government	State contribution to the financing of health insurance: allocation for expenditure on COVID-19 measures	D.7	Cash	Draft budget	-	-	38	0.0	
Transfers to the non-profit institutions serving households	- Contribution to the costs of associations working in various fields of socio-therapeutic action - State contribution to the costs of places in homes for unaccompanied minors - State contribution to the operating costs of services providing support for the non-formal education of children	D.7	Cash	Draft budget	-	-	21	0.0	
Capital subsidies	Energy aid	D.9	Cash	Draft budget	-	-	5	0.0	
Other	Various measures	various codes	Cash	Draft budget	-	-	29	0.0	
Package of measures "Solidaritétspak 2.0" decided at the end of September 2022 in the context of the energy crisis	Package of measures focused on reducing inflation, supporting households and businesses with specific measures and promoting the energy transition	various codes	Cash	Bills currently being drafted	213	0	632	0.8	
Total - Expenditure					213	0.3	959	1.2	
TOTAL					213	0.3	1 291	1.6	

6. Divergence from latest Stability Programme

Table 6. Divergence from latest Stability Programme

	ESA code	Year 2021	Year 2022	Year 2023
		% GDP	% GDP	% GDP
Target general government net lending / net borrowing	B.9			
Stability Programme 2022		0.9	-0.7	-0.4
Draft Budgetary Plan 2023		0.8	-0.4	-2.2
Difference		-0.1	0.3	-1.8
General government net lending projection at unchanged policies	B.9			
Stability Programme 2022		0.9	0.2	-0.1
Draft Budgetary Plan 2023		0.9	-0.4	-0.7
Difference		0.0	-0.6	-0.6

7. Methodological aspects

Table 7. Methodological aspects

Estimation technique	Phase of the budgetary procedure for which it has been used	Relevant feature of the model/technique used	Assumptions
Macroeconomic forecasts	For the purpose of the elaboration of the draft budget 2023	STATEC's macroeconomic model ("Modux")	External assumptions admitted for a certain number of variables (f.ex euro area growth, stock market development, etc.), with the help of an external partner.
Output gap calculation	For the purpose of the elaboration of the draft budget 2023	Integration of STATEC's macroeconomic forecasts into the European Commission's model	National accounts for the years before 2022 Application of closure rule by 2027
Budgetary revenue estimation	For the purpose of the elaboration of the draft budget 2023	Use of parametric equations and microeconomic information	Macroeconomic forecasts Microeconomic and historical data
Budgetary expenditure estimation	For the purpose of the elaboration of the draft budget 2023	Bottom-up estimations	Employment, inflation, salary indexation, population and other relevant data by expenditure category
Impact of discretionary measures	For the purpose of the elaboration of the draft budget 2023	Bottom-up estimations	...

8. Table of the RRF impact on programme's projections - Grants

Table 8. RRF impact on programme's projections - Grants

Revenue from RRF grants (% of GDP)				
	2020	2021	2022	2023
RRF GRANTS as included in the revenue projections	0.000%	0.017%	0.033%	0.026%
Cash disbursements of RRF GRANTS from EU	0.000%	0.017%	0.000%	0.000%

Expenditure financed by RRF grants (% of GDP)				
	2020	2021	2022	2023
Compensation of employees D.1	0.000%	0.000%	0.000%	0.000%
Intermediate consumption P.2	0.003%	0.001%	0.005%	0.009%
Social payments D.62+D.632	0.000%	0.000%	0.000%	0.000%
Interest expenditure D.41	0.000%	0.000%	0.000%	0.000%
Subsidies, payable D.3	0.000%	0.000%	0.000%	0.000%
Current transfers D.7	0.000%	0.002%	0.000%	0.000%
TOTAL CURRENT EXPENDITURE	0.003%	0.003%	0.005%	0.009%
Gross fixed capital formation P.51g	0.001%	0.000%	0.001%	0.005%
Capital transfers D.9	0.000%	0.000%	0.010%	0.021%
TOTAL CAPITAL EXPENDITURE	0.001%	0.000%	0.010%	0.026%

Other costs financed by RRF grants (% of GDP) ¹				
	2020	2021	2022	2023
Reduction in tax revenue	0.000%	0.000%	0.000%	0.000%
Other costs with impact on revenue	0.000%	0.000%	0.000%	0.000%
Financial transactions	0.000%	0.000%	0.000%	0.000%

¹ This covers costs that are not recorded as expenditure in national accounts

9. Implementation of the country recommendations 2022

COUNCIL RECOMMENDATION on the 2022 National Reform Programme

1. In 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation. Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions. Improve the long-term sustainability of the pension system, in particular by limiting early retirement and by increasing the employment rate of older workers. Take action to effectively tackle aggressive tax planning, including by ensuring sufficient taxation of outbound payments of interests and royalties to zero and low-tax jurisdictions;

2. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021. Submit the 2021–2027 cohesion policy programming documents with a view to finalizing the negotiations with the Commission and subsequently starting their implementation;

3 Reduce the impact of inequalities on pupils' performance and promote equal opportunities for all students in the educational system;

4. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, electricity transmission capacity, and investment in energy efficiency in both the residential and non-residential sectors. Support municipalities in developing detailed local plans for the deployment of renewable energy, including wind power and photovoltaics, and for district heating and cooling systems. Further promote electrification of transport and invest in public transport networks and infrastructures;

Status of measure	Date	List of main measures	Description
<i>1.1. In 2023, ensure that the growth of nationally financed primary current expenditure is in line with an overall neutral policy stance, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine; Stand ready to adjust current spending to the evolving situation;</i>			
In progress		<p>Fiscal policy for 2023, by means of temporary measures tailored to national circumstances responds to the growing concerns of households and businesses in Luxembourg who are suffering from the consequences of soaring energy prices,.</p> <p>The Government is also pursuing its efforts to foster qualitative and sustainable development as well as promoting social cohesion, in accordance with its commitments in the coalition agreement.</p> <p>Close monitoring of the budgetary situation remains essential in a context of heightened uncertainty, and at a time where fiscal prudence is needed to re-establish budgetary buffers to face medium-term challenges.</p>	Protect households and businesses from the impact of the war in Ukraine and energy price developments. Ensure continued sustainable and inclusive growth.
Implemented	31/03/2022	<p>Two complementary packages of measures ("Energiedesch" and "Solidaritéitspak") have been designed to mitigate the inflationary effects on the most vulnerable companies and households.</p> <p>The total volume of support amounts to around €830 million (1.1% of GDP estimated in 2022) or €1.3 billion (1.7% of GDP estimated in 2022) when taking into account the state guarantee scheme, which was set up in the context of the "Solidaritéitspak".</p>	Mitigate inflationary effects on businesses and households.
In progress	28/09/2022	An additional support package "Solidaritéitspak 2.0" has been agreed, which responds to the very specific national circumstances in Luxembourg (https://gd.lu/5zSB3f). The total cost of the package amounts to €1.1 billion, including measures to counteract the emergence of an inflationary wage-price spiral, to protect households and to ensure the competitiveness of companies.	Prevent the build-up of a wage-price spiral, protect households and ensure the competitiveness of companies.
In progress		In the context of the war in Ukraine, Luxembourg is committed to continuing to provide the humanitarian assistance needed, to ensuring the reception of people fleeing the country and to guaranteeing the educational follow-up of refugee children in Luxembourg schools.	Supporting those who have to flee Ukraine.
<i>1.2. Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds;</i>			
		Fiscal policy in 2023 is fully geared towards qualitative growth, while pursuing an ambitious investment policy to meet the dual challenge of the climate and digital transition. In total, public investment at the general government level	Pursue an ambitious investment policy to address the country's

		<p>(gross capital formation) amounts to €3.8 billion (4.6% of GDP) in 2023, which represents an increase of +16.4% compared to 2022.</p> <p>The reforms and investments foreseen in the Luxembourg Recovery and Resilience Plan are implemented in parallel to the aforementioned investment program.</p> <p>Commitments under the government's climate and environmental policy are outlined in Luxembourg's Integrated National Energy and Climate Plan (NECP). Expenditure contributing to the achievement of the PNEC objectives amount to €2.3 billion euros in 2023 as identified in the draft Budget.</p>	structural challenges, including the green and digital transition.
<i>1.3. For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions;</i>			
In progress	03/12/2018	In its coalition agreement, the government is fully committed to sound public finances over the coming years and to keep the country's public debt below 30% of GDP.	Ensure the medium-term sustainability of public finances and maintain a prudent level of public debt.
<i>1.4. Improve the long-term sustainability of the pension system, in particular by limiting early retirement and by increasing the employment rate of older workers.;</i>			
Senior Workers			
Implemented	01/08/2017	Law of July 20, 2017 on the fight against long-term unemployment, effective since August 2017.	Encourage the return of long-term unemployed to employment, especially elderly long-term unemployed, through job creation assistance.
Implemented	01/11/2020	Professional reclassification reform (Law of July 24, 2020), effective since November 1, 2020.	Provide additional incentives to delay the retirement age by accelerating procedures, better guarding the rights of people in outplacement and creating the necessary conditions to favour internal reclassification and thus job retention.
Implemented	01/01/2016	Professionalisation training course for job seekers aged at least 45 or those undergoing external reclassification, or who have the status of disabled employee, in force since January 2016.	Offer job seekers the opportunity to demonstrate their professional skills within a company (training period of a maximum of 6 weeks).

Implemented	01/01/2016	Reinsertion-employment contract intended for jobseekers aged at least 45 or those undergoing external reclassification, or who have the status of disabled employee, in force since January 2016.	Offer job seekers the opportunity to improve his or her professional knowledge and skills within a company (maximum duration of 12 months).
Implemented	01/12/2017	Reform of early retirement schemes (Law of November 30, 2017): better targeting of employees performing difficult work and taking better account of employees' working conditions, while promoting the retention of older people in the labour market, in force since December 2017.	Abolish early retirement solidarity and adapt the other early retirement schemes.
Long-term sustainability			
Implemented	01/01/2013 01/04/2016	<p>Monitoring of the pension insurance reform that came into force on 1 January 2013.</p> <p>Establishment of a "Pensions Group" (April 2016): The Pensions Group submitted its report to the Government in June 2018 after an in-depth analysis carried out by the experts of that group and related exchanges:</p> <p>https://gouvernement.lu/fr/publications/rapport-etude-analyse/igss/rapport-du-groupe-de-travail-pensions/2018/rapport-du-groupe-de-travail-pensions.html</p> <p>The next technical actuarial assessment of the general pension insurance scheme was presented on 26 April 2022:</p> <p>https://gouvernement.lu/fr/actualites/toutes_actualites/communiqués/2022/04-avril/26-haagen-pensions.html</p> <p>After analysing the report, the Government decided to refer the matter to the Economic and Social Council "to analyse, discuss and propose possible future avenues for guaranteeing the financial sustainability of the general pension insurance scheme in the long term, taking into account demographic and economic developments in the Grand Duchy".</p>	<p>Increase the effective retirement age in line with the evolution of life expectancy and adapt pensions to the budgetary situation of the pension scheme.</p> <p>On the basis of an actuarial opinion by the IGSS (presented in December 2016), verify the concordance of the provisions introduced by the reform that came into force on 1 January 2013, notably the readjustment mechanism, and decide on the need to put in place any adjustments to the scheme.</p>
Implemented	01/01/2018	<p>Reform on the long-term care insurance (Law of 12 July 2017), in force since January 2018.</p> <p>The latest biennial report 2020-2022 of the <i>administration of evaluation and control of long-term care insurance</i>, on the quality of benefits, was presented on 30 June 2022:</p>	Improve the individualization of the provision of benefits of quality that meet the daily needs of each person, reinforce quality through clear standards and criteria with adequate controls, simplify procedures and

		https://gouvernement.lu/fr/actualites/toutes_actualites/communiques/2022/06-juin/30-rapport-aec.html In addition, the IGSS conducts an analysis every two years on the adequacy of the flat rate pricing, which was introduced by the last reform. From a financial point of view, the LTC insurance scheme has a positive balance and reserves have increased in recent years. The forecasts also show that the scheme will be in financial equilibrium in the medium term.	consolidate the system in the light of societal developments and in compliance with the fundamental principles of the 1998 base law.
<i>1.5. Take action to effectively tackle aggressive tax planning, including by ensuring sufficient taxation of outbound payments of interests and royalties to zero and low-tax jurisdictions ;</i>			
Characteristics of the tax system that may facilitate aggressive tax planning			
Implemented		Transposition of several directives on administrative cooperation (DAC 1, 2, 3, 4, 5 and 6)	Ensure administrative cooperation between tax authorities at the European and international level, and effectively fight tax fraud and tax evasion.
Announced		Transposition of the administrative cooperation directive DAC7.	Ensure administrative cooperation between tax authorities at the European and international level, and enable tax fraud and evasion to be combated effectively, including in the digital economy.
Implemented		Transposition of the ATAD 1 and ATAD 2 directives containing anti-tax evasion provisions.	Enable the effective fight against tax evasion.
Implemented		Ratification of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (2019).	Specifically strengthen the Luxembourg legal framework in the context of the fight against aggressive tax planning structures that resort to treaty shopping.
Adopted		Implementation of certain reinforced administrative control mechanisms for jurisdictions included on the list of non-cooperative jurisdictions of the Code of Conduct (corporate taxation) by means of circular (2018).	Introduce enhanced control mechanisms vis-à-vis jurisdictions on the list of non-

			cooperative jurisdictions for tax purposes.
Adopted		Adaptations concerning two legislative provisions whose interpretation by taxpayers may have led to tax base erosion and profit shifting practices, or even to the non-taxation of some income (2018).	Contribute to strengthening the level of protection against aggressive tax planning within the internal market.
Implemented	10/02/2021	<p>Application of enhanced control mechanisms vis-à-vis jurisdictions included on the list of non-cooperative jurisdictions of the Code of Conduct (Business Taxation)</p> <p>(Law of 10 February 2021 amending the amended law of 4 December 1967 on income tax)</p>	<p>Put an end to tax planning practices that would still exploit certain provisions of the tax system in relation to outbound payments.</p> <p>In order to strengthen the fight against tax fraud and tax evasion, the proposed measure targets transactions, in particular financial ones, with affiliated companies established in countries or territories that are considered non-cooperative for tax purposes.</p> <p>It contributes effectively to the global promotion of tax transparency, fair taxation and the implementation of anti-BEPS measures.</p> <p>Limiting the deductibility of certain expenses thus helps to combat certain aggressive tax planning structures that result in outbound interest and royalty payments made by Luxembourg-based companies to jurisdictions that are considered non-cooperative through evading taxation or being taxed only minimally to the</p>

			extent that such payments are not subject to any taxation, or are only minimally taxed, in such jurisdictions.
Announced		Active participation in the work at the global level to address the tax challenges raised by the digitisation of the economy (pillar 1) and to resolve other remaining issues of base erosion and profit shifting and to ensure that multinational enterprises are subject to a minimum level of taxation (pillar 2) ("BEPS 2.0").	Put an end to tax planning practices that allow multinationals to shift profits to low- or no-tax jurisdictions and ensure that all economic operators are taxed on their profits regardless of their sector of activity.
<i>2.1. Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021 ;</i>			
Implemented		Significant progress has been made in recent months in implementing the reforms and investments proposed in the RRP.	
<i>2.2. Submit the 2021–2027 cohesion policy programming documents with a view to finalizing the negotiations with the Commission and subsequently starting their implementation ;</i>			
Adopted		The Managing Authorities of the European funds (ESF, ERDF and JFT) formally submitted the Partnership Agreement and the respective Operational Programmes in mid-July to trigger the official procedure. Feedback from the European Commission has been received and the Managing Authorities are currently preparing responses to these comments. A new version will be sent to the European Commission in early October.	The Partnership Agreement (joint ESF-ERDF document) and the respective operational programs (including the JTF) are in the final stages of adoption by the European Commission.
<i>3.1 Reduce the impact of inequalities on pupils' performance and promote equal opportunities for all students in the educational system ;</i>			
Implemented		Establishment of 5 accredited European schools since 2016, with a 6th European school having been open since the start of the 2022-2023 school year.	Offer diversified language tracks that better correspond to the diverse profiles of the students.
		International tracks leading to International Baccalaureates or A-Level diplomas. 1,957 children are enrolled in primary schools offering an international program and 4,163 students are enrolled in secondary schools that offer an international program.	In addition to these schools, the school system also offers international tracks.
Implemented		School books are free for secondary school children since 2018.	Introduction of free school books for secondary school children in 2018 in order to reduce the impact of inequalities on student performance and promote equal opportunities.

Implemented		Establishment of 8 centres of expertise for children with special needs.	Realisation of an important structural reform benefitting children with special needs with the creation of 8 competence centres.
Implemented		Introduction of a quality assessment system for the non-formal education sector.	
Implemented		Increase in the total supply of early childhood education and care service spots, as well as parental assistance for children aged between 0-12 years (from 24,648 spots in 2009 to 61,958 spots).	
Implemented		Introduction of a multilingual education program in early childhood education (2017).	Introduction of a multilingual education program in early childhood education, allowing each child aged 1 year to benefit from 20 hours free of charge per week, The child is thus offered quality language support.
Implemented		Increase in staff of nearly 20% over the past 3 years in Psychosocial and Scholastic Assistance Services (SePas)	
Implemented		From 2022-2023, free supervision in education and care services and by parental assistants for all children in primary education during school periods.	
Implemented		Free meals for all children attending primary school during school weeks, and in secondary school for children below a certain income threshold.	
Implemented		Free access to a large part of the music, speech and dance classes in the music schools run by municipalities since the beginning of the school year.	To offer all children and young people the best opportunities for the future.
		<p>A law has been filed to raise the compulsory school age to 18 years and to create new projects such as alternative schooling structures.</p> <p>A pilot project involving the Ministry, secondary schools and socio-professional integration centres "<i>Centres d'insertion socioprofessionnelle</i>" (CISP) aims to create alternative learning centres. They should allow young people who find themselves in difficult situations or who have dropped out of school to obtain official certification of the skills they have acquired even though they have not yet obtained their final diploma. The training programs in the CISPs must be</p>	Contribute to further reduce the dropout rate and ensure a better insertion in the professional world.

		based on the regular programs and the CISP's partner secondary school must carry out the evaluation of the students.	
Implemented		Since the start of the 2022-2023 school year, introduction of free homework assistance in primary education throughout the country	
Implemented		Since the start of the 2022-2023 school year, launch of a pilot project for French literacy in four primary schools.	Take into account to a greater extend the cultural, linguistic and social diversity of the country.
Announced		Enhancement of educational integration of newly arrived students; improve and systematise the procedures the welcome and orientation of foreign students. Creation of an integration and school reception service. Draft law adopted by the Government Council on July 22.	Contribute to reducing the impact of social and cultural backgrounds on students' academic performance.
Announced		Promotion of educational inclusion in public education: The support teams for students with special needs, which have long been part of the primary education landscape, will also be generalized in secondary schools. 37 public secondary schools (out of 39) have already seen an increase in human resources (100 FTE positions) to set-up these teams.	Educational inclusion
Announced		By the beginning of the school year 2023-2024, forums for parents will be established in 15 regions of the country. The forums will be available to parents from the time of pregnancy and throughout all stages of their children's lives. The first forums will open in October 2022.	Create places for exchange, information and assistance for all parents, support parents in all aspects of their parenting.
Announced		Adaptation of the primary school teaching programme. As of 2019 the seven national school programme commissions have begun initial discussions for a new programme. The 2025 curriculum is an important step towards digital competencies and interdisciplinary topics that are of great importance for society (environment and sustainability, living together in a multicultural society, media and critical thinking, creativity,...)	
<i>4.1. Reduce overall reliance on fossil fuels by accelerating the deployment of renewables, electricity transmission capacity, and investment in energy efficiency in both the residential and non-residential sectors</i>			
Adopted	20/05/2020	Implementation of the National energy and climate plans.	To reduce the consumption of fossil fuels and implicitly also the dependence on them.
Implemented	01/07/2021	Entry into force (July 2021) of the Grand-ducal Regulation of 9 June 2021 concerning the energy performance of buildings.	To make it practically impossible for a new building to be equipped with a fossil fuel based boiler. The reference standard is now the heat pump.

Implemented	07/04/2022	Extension of the " <i>PRIME House</i> " program beyond 31 December 2021.	Extension of the " <i>PRIME House</i> " program, a financial aid scheme to promote sustainability, rational energy use and the use of renewable energy in housing.
Adopted	27/09/2021	Elaboration and publication (September 2021) of the hydrogen strategy.	Support the progress of the energy transition in certain sectors that are difficult to decarbonize through direct electrification.
Adopted	20/08/2021	Elaboration and publication (August 2021) of the "Network Development plan" by Creos Luxembourg S.A..	To provide a comprehensive view of the existing electricity infrastructure as well as the planned modifications and improvements of the high-voltage grid.
		Promotion of the exploitation of the solar energy potential by extending the scope of the guaranteed tariffs.	Promote the exploitation of solar energy by extending the scope of the guaranteed tariffs of the 30 to 200 kW categories to all beneficiaries and by adjusting the feed-in tariffs for solar panels.
		Development and refinement of the solar register	Simplify and accelerate the exploitation of solar energy potential.
Announced	10 & 11/2022	In its 2021-2027 Operational Programme, the FEDER foresees the co-financing of green projects, i.e. investing in renewable energy and energy efficiency, as well as in sustainable urban mobility. The FEDER operational program is in the final stages of adoption.	Promote renewable energy production, energy efficiency and sustainable mobility.
Announced	28/09/2022	Agreement on an additional support package that responds to the very specific national context resulting from the automated wage indexation system in Luxembourg (https://gd.lu/5zSB3f). This agreement contains, among other things, additional support to promote the transition to renewable energy and energy renovation: <ul style="list-style-type: none"> increase of the replacement bonus to 50%, increasing the "Klimabonus" financial aid allocated in the case of the replacement of an existing fossil fuel boiler or electric heating combined with an 	

		<p>improvement of the energy performance of the heating system by a heating installation based on renewable energy (heat pump, hybrid heat pump and wood-fired boiler); measure valid for any installation ordered between 1 November 2022 and 31 December 2023;</p> <ul style="list-style-type: none"> • 25% top-up of the "Klimabonus" financial aid for solar panels, provided that the applicant undertakes to operate the installation in self-consumption mode or as part of an energy community; this measure is valid for all orders placed between 1 January 2023 and 31 December 2023; • 25% top-up of the "Klimabonus" financial aid for sustainable energy renovation; valid for all applications for an agreement in principle made between 1 November 2022 and 31 December 2023; • Application of the reduced VAT rate of 3% to new solar panels for which the invoice is issued after 1 January 2023; • Suspension of the degression of remuneration for new solar panel installations as of 1 January 1, 2023; • Introduction of a measure to mitigate price increases for pellets for households that heat with this energy source. Pellet prices are soaring due to the high demand for pellets and the scarcity of fossil fuels. The price of pellets has doubled or even tripled in recent months (from 200-250€ to 500-600€/ton). 	
<i>4.2. Support municipalities in developing detailed local plans for the deployment of renewable energy, including wind power and photovoltaics, and for district heating and cooling systems</i>			
Implemented	09/06/2021	Encouraging municipalities through the Climate Pact 2.0 to strengthen their role in climate policy and reduce their greenhouse gas emissions.	To help municipalities develop detailed local plans for renewable energy deployment, the Climate Pact 2.0, voted in June 2021, aims, among other things, to encourage municipalities to strengthen their exemplary role in climate policy and reduce their greenhouse gas emissions.
<i>4.3. Further promote electrification of transport and invest in public transport networks and infrastructures.</i>			
Adopted	22/04/2022	Development and presentation (April 2022) of the National Mobility Plan (PNM 2035) proposing an overall concept capable of handling 40% more trips compared to 2017 and implementing the approaches included in the Modu 2.0 strategy.	Propose a global concept capable of managing 40% more trips compared to 2017 and implement the approaches

			included in the strategy for sustainable mobility Modu 2.0.
Announced		Ambitious investments in rail infrastructure between 2018 and 2023 amounting to EUR 1.7 billion.	
Announced		Pursuing the "no-emission" objective by 2030 by using electric buses in the national RGTR bus network.	Via the REACT-EU measure, the FEDER is co-financing the overhaul of the RGTR electric bus network for an amount of around EUR 35 million.
Implemented	09/03/2022	Extension of the financial aid scheme "Clever fueren" for 24 months until 31 March 2024.	
Announced		Continued deployment of public charging stations for electric cars.	Continued deployment of public charging stations for electric cars (700 installed). In January 2021, the first 88 fast public charging stations were installed.
Implemented	30/07/2022	Entry into force of the law of 26 July 2022 on the aid scheme for companies investing in charging infrastructure for electric vehicles.	Enabling the implementation of support measures for companies investing in charging infrastructure for electric vehicles.
Announced	31/03/2022	Introduction of an aid scheme for the acquisition of clean vehicles for the transport of goods.	

