

Unofficial coordinated text

Law of 12 July 2014 on the coordination and governance of public finances

This courtesy translation is provided for illustrative purposes only.

In case of discrepancies between the French and the English text, the French text shall prevail.

Amended by

- Act of 23 December 2016
(Memorial A – 276 of 27 December 2016; Parl. Doc. 7050)
- Act of 15 December 2017
(Memorial A – 1097 of 20 December 2017; parl. doc. 7200)
- Law of 19 December 2025
(Memorial A – 591 of 19 December 2025; parl. doc. 8600)

Chapter 1 - Scope

Art. 1:

Within the meaning of the present law, the term "general government" refers, in accordance with the definitions of the European system of national and regional accounts (hereafter referred to by the acronym "ESA"), to the general government sector comprised of the sub-sectors of central government, local government and social security.

Chapter 2 - Medium-term Budgetary Framework

Art. 2:

The budgetary situation of the general government respects the objective of a balanced budget as defined by article 3, paragraph 1, of the Treaty on the Stability, Coordination and Governance in the Economic and Monetary Union signed in Brussels on 2 March 2012 and hereafter referred to as the "Treaty".

Art. 3:

(1) The medium-term budgetary objective of Luxembourg as defined by EU Regulation 1466/97 as well as the adjustment path towards this objective are fixed by the multi-annual financial programming law.

(2) The multi-annual financial programming law covers a period of 5 years, including the current year as well as the 4 subsequent years.

(3) The multi-annual financial programming law determines the paths of successive annual nominal and structural balances of general government accounts as well as the evolution of public debt and the decomposition of annual nominal balances by sub-sectors of general government according to ESA specifications.

(4) The multi-annual guidelines for public finances as defined by the multi-annual financial programming law include, for each fiscal year, the maximum amount of expenditures for the central government.

(5) The multi-annual financial programming law is accompanied by explanatory annexes presenting:

- the calculations underlying the computation from nominal balances to structural balances;
(law of 15 December 2017)
- the projections **at unchanged policy**, for the multi-annual period that is covered, for each major expenditure and revenue item, with additional detail at the level of central government and social security;
(law of 19 December 2025)
- the description of those policies having an impact on the public finances of the general government **and sustainable and inclusive growth**, by important expenditure and revenue

items, showing how the adjustment allows to reach the medium-term objectives in comparison to a no-policy-change scenario;

(law of 19 December 2025)

- an assessment of the effect that, in light of their direct medium and long-term impact on public finances, the policies envisaged are likely to have on the medium and long-term sustainability of public finances and on sustainable and inclusive growth, taking into account the macro-fiscal risks due to climate change, their impact on the environment and their distributional effects;
- relevant information on contingent liabilities that may have a significant impact on public budgets, including public guarantees, non-performing loans and liabilities arising from the activities of public enterprises, including their extent;
- information on contingent liabilities and, where applicable, the costs of disaster and climate-related shocks;
- information on government holdings in the capital of private and public companies for economically significant amounts;

(law of 15 December 2017)

- explanations concerning discrepancies between two successive multi-year financial programming laws.

Art. 4:

(1) The annual structural balance of the general government is at least equal to the medium-term objective as defined in article 3 of the Treaty or converges rapidly towards this objective on the basis of an appropriate adjustment path.

(2) The structural balance is the nominal balance adjusted for cyclical variations and one-off or temporary effects.

Art. 5:

Social security and local government contribute to the respect of the rules outlined in articles 2 to 4 through modalities for which they shall be associated to in their elaboration. The contribution of these sub-sectors is detailed in the context of the multi-annual financial programming law.

Chapter 3 - Correction mechanism in the presence of an observed deviation

Art 6:

(1) If the annual accounts of the general government sector show a significant deviation with respect to the medium-term objective or vis-à-vis the adjustment path, except in the presence of exceptional circumstances as foreseen in article 3, paragraph 3 of the Treaty, the government shall include, at the latest in the draft budget of the following year, measures to re-establish the trajectory as foreseen in the multi-annual financial programming law in the absence of deviations.

(2) A deviation is considered to be significant if it is greater or equal to 0.5% of nominal GDP for a given year or 0.25% of nominal GDP on average over two consecutive years.

(3) The deviation is observed by taking into account relevant data on the previous year, as found in the notification that is to be submitted on 1 April and 1 October by virtue of EU Regulation 479/2009 on the application of the protocol on the excessive deficit procedure as annexed to the European treaties.

Chapter 4 - Surveillance of the application of the rules by independent institution

Art. 7:

(law of 19 December 2025)

- (1) An independent body shall be established under the name of “*Conseil national des finances publiques*”, hereinafter referred to as the “*Conseil*”.

(law of 23 December 2016)

(2) The *Conseil national des finances publiques* is composed of the following members, from within the private sector, recognized for their economic and financial competence:

- 2 members proposed by the *Chambre des députés*;
- 1 member proposed by the *Cour des comptes* ;
- 1 member proposed by the *Chambre de commerce*, the *Chambre des métiers* and the *Chambre d'agriculture*;
- 1 member proposed by the *Chambre des fonctionnaires et employés publics* and the *Chambre des salariés*;
- 2 members proposed by the Government.

Members of the *Conseil* are nominated and revoked by the Grand-Duke. They are nominated for a renewable term of four years. In case of a vacancy, the post shall be re-occupied, within a month, by a new member who shall finish the term of the member that is to be replaced.

(law of 19 December 2025)

Members of the *Conseil* shall exercise their mission in full neutrality and independence and do not receive or seek instructions from any public or private body. The Chairman is elected by the members of the *Conseil*, with an absolute majority of votes.

(3) The *Conseil* is chaired by its Chairman or in his absence by the eldest member. The *Conseil* meets when the Chairman convenes, as often as the interests of the *Conseil* require. The *Conseil* validly deliberates when at least four of its members are present. It shall decide through simple majority voting by the members that are present. In case of equal votes, the Chairman's vote shall be determining.

The members of the *Conseil* are obliged to respect the secrecy of the deliberations.

The *Conseil* shall elaborate internal rules of procedure fixing its functioning.

(4) The *Conseil* is assisted by a permanent secretariat which shall be comprised of *fonctionnaires* and *employés de l'Etat*. These persons can be seconded from their original administrations.

(law of 19 December 2025)

(5) The *Conseil* is authorised to request economic, financial and budgetary information from State bodies, administrations and departments. The *Conseil* can proceed to the hearing of representatives from competent administrations in the area of public finances, statistics or economic forecasting. The *Conseil* can also call upon institutions and experts from the private sector.

(6) Indemnities and attendance fees for members of the *Conseil* are to be fixed by *règlement grand-ducal*.

(7) The operating costs of the *Conseil* are borne by the *budget de l'Etat* [central Government budget].

(law of 19 December 2025)

(8) The *Conseil* is regularly subject to external evaluations carried out by independent evaluators.

Art. 8.

The *Conseil national des finances publiques* is tasked with the following missions:

- a) surveillance of the adherence to the rules enunciated in articles 2 to 4 as well the application of the correction mechanism defined in article 6 ;

(law of 15 December 2017)

- b) evaluation regular and based on objective criteria of the macroeconomic and budgetary forecasts established for the benefit of financial budgetary programming of the general government ;

- c) any other evaluation provided by article 5, paragraph 2, of EU Regulation 473/2013.

(law of 19 December 2025)

- d) assessment of the consistency, coherence and effectiveness of the national budgetary framework;

- e) assessment of the medium-term national budgetary and structural plan, hereinafter referred to as the “MTSP”, and progress reports on the MTSP, including an assessment of the consistency of the net expenditure path with budgetary outcomes.

(law of 19 December 2025)

The *Conseil national des finances publiques* shall publish its findings and evaluations and submits them to the Government and the Chamber of Deputies.

Chapter 5 – Transparency, statistics and coordination in public finances

(law of 15 December 2017)

Art. 9.:

Beyond the provisions set out in Articles 9bis and 10 of this Act, the conditions and procedures for applying the following obligations listed in Articles 3(2), 4(4), 4(5), 12, 13(1) and 13(2), insofar as they fall within the scope of administrative coordination and without prejudice to Article 5 of this Law, Article 14 (1) and (3) of council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States may be specified by Grand Ducal regulation.

(law of 15 December 2017)

Art. 9bis.:

Ministerial Departments shall provide the Inspectorate of Finance, within the first ten working days of the following month, with a comprehensive monthly statement of expenditure and revenue of the bodies falling within their remit and forming part of the central government sector as defined by the European System of Accounts (ESA).

Chapter 6 – Amendment to the amended Act of 8 June 1999 on the State budget and accounts

Art. 10.:

The amended Act of 8 June 1999 on the State budget, accounting and treasury is amended as follows:

- (1) A new paragraph 2 is added to Article 2, which reads as follows: “In the event that the budget is not voted on before 1 January of the financial year to which it applies, the Government shall present a bill authorising it to:
 - a) Collect taxes existing on 31 December of the year preceding the financial year;
 - b) Apply other provisions for one or more months;
 - c) Incur, during the same period, the expenditure shown in the tables annexed hereto.

The revenue collected and the expenditure incurred during this period and settled during the financial year shall be included in the approved budget for the financial year.”

- (2) Article 6 is replaced as follows:

“The draft budget for the year shall be accompanied by a report on the financial and budgetary situation and its prospects for development in the general economic context, as well as explanatory annexes setting out, in particular:

- a) The financial situation from services of *Etat à gestion séparée*;
- b) The outstanding amount of guarantees granted by the State;
- c) The financial situation of special funds, indicating for each special fund its past and projected multi-year development;
- d) Detailed information on the impact of tax expenditure on revenue;
- e) The main parameters of the draft budgets of the sub-sectors of general government;
- f) The information provided for in Article 6 of Regulation (EU) No 473/2013 of the European Parliament and of the Council establishing common provisions for monitoring and assessing draft budgetary plans and ensuring the correction of excessive deficits in the Member States of the euro area;
- g) The calculations enabling the transition from the budget as established in accordance with the rules of this law to a presentation of revenue, expenditure and the financing capacity or requirement of all public administrations, broken down by sub-sector and expressed in accordance with national and European Union accounting rules;
- h) In multi-annual evolution of government revenue and expenditure over a rolling five-year period, including the current year, the year to which the draft budget relates and the three subsequent financial years.

Chapter 7 – Amendment to the amended Act of 10 March establishing an Inspectorate of Finance

Art. 11.:

Article 9 (2) of the amended Act of 10 March 1969 establishing an Inspectorate of Finance is amended as follows: ‘In paragraph 2, second subparagraph, the word “eleven” is replaced by the word “fifteen”.’

Chapter 8 – Title

Art. 12.:

Reference to this law may be made in abbreviated form using the terms “Law of 12 July 2014 on the coordination and governance of public finances”.