

Luxembourg VAT Guide

A tax professional's essential guide to calculating, reporting and paying VAT in Luxembourg



AN INTRODUCTION TO VAT IN LUXEMBOURG

In 1970, Luxembourg introduced its version of Value Added Tax (VAT), following the example of France and other European countries that had already adopted this taxation model. Known locally as "Taxe sur la Valeur Ajoutée" (TVA), this system has been integral to Luxembourg's tax framework.

Like all European Union (EU) member countries, Luxembourg follows the EU's VAT Directives. These directives are transposed into Luxembourg's national legislation, primarily governed by the "Loi modifiée du 12 février 1979 concernant la taxe sur la valeur ajoutée."

The standard VAT rate in Luxembourg is 17%, which is the lowest in the EU and applies to most goods and services. There are also reduced rates of 8%, 3%, and 14% for specific goods and services, such as foodstuffs, books, pharmaceuticals, and certain types of energy consumption.

Businesses involved in taxable transactions within Luxembourg must register for VAT. Foreign companies that provide goods or services within Luxembourg are also required to register for VAT purposes.

The Luxembourg system collects VAT in accordance with EU regulations.

The VAT system operates similarly to that of other EU countries, functioning as a general consumption tax applied to goods and services. Compliance with Luxembourg's VAT regulations is mandatory for all businesses operating in the country. Businesses must ensure adherence to the tax laws as defined by Luxembourg's VAT authorities, guaranteeing conformity with the "Loi modifiée du 12 février 1979."



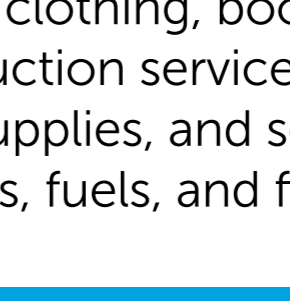
VAT rates

0%/ZERO



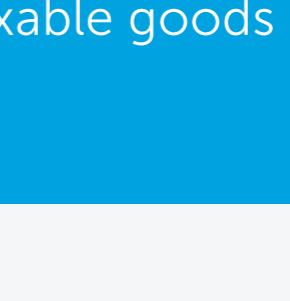
Intra-community and international transport.

3-14%/REDUCED



3%: Food, children's clothing, books, cultural events, hotels, and construction services. 8%: Household cleaning, energy supplies, and some art/antiques. 14%: Certain wines, fuels, and financial services.

16%/STANDARD



All other taxable goods and services.

VAT changes in 2025

Through VAT bill 8406, the Luxembourg government will implement two European Directives from January 1, 2025, introducing significant VAT changes.

Key changes include:

1. **Virtual Events:** VAT for virtual events will be based on the recipient's location, aligning with EU standards. Businesses can use the One Stop Shop (OSS) system to manage VAT across the EU, simplifying compliance.

2. **Art Sector:** The reduced 8% VAT rate will cover all art sales, including imports and intra-EU acquisitions. However, businesses applying this rate cannot use the profit margin scheme; the total 17% VAT rate must apply.

3. **Small Enterprises:** New VAT schemes will be introduced:

o **National Scheme:** Raising the turnover threshold to €50,000 for businesses operating solely in Luxembourg.

o **Cross-border Scheme:** For businesses with EU-wide turnover under €100,000, allowing them to operate VAT-free but without the ability to deduct input VAT.

4. **Passenger Transport Exemption:** The VAT exemption for international passenger transport will continue following recent amendments.

These changes aim to simplify VAT rules, support cross-border transactions, and modernise the tax framework for the digital economy.



Tax filing and deadlines

In Luxembourg, the filing and deadlines for indirect taxes, primarily VAT (Value Added Tax), depend on the size and turnover of the business. For most businesses, VAT returns are filed either quarterly or annually. Businesses with an annual turnover of over €620,000 must file quarterly VAT returns, which are due by the 15th of the month following the end of each quarter (e.g., April 15 for the first quarter).

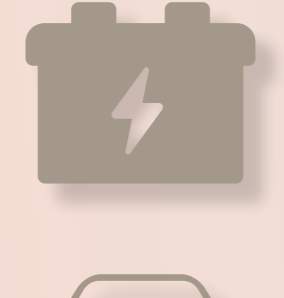
Smaller businesses with a turnover below this threshold may file annual VAT returns, which are due by April 30 of the year

following the tax year.

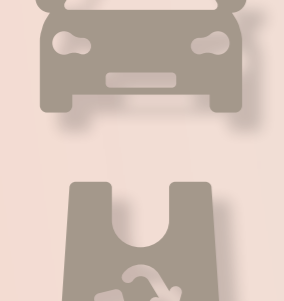
Additionally, some businesses may be required to make monthly VAT prepayments, based on the previous year's tax liability. These prepayments are due by the 15th of each month. For businesses involved in cross-border transactions within the EU, Intrastat declarations may also need to be submitted monthly, depending on the volume of trade.

Businesses that import goods into Luxembourg may also need to account for VAT at the time of importation, which is handled through a deferred VAT payment scheme to facilitate cash flow. Failure to meet these deadlines can result in penalties or interest charges, so it's important to stay compliant.

Environmental Tax



Carbon Tax: Introduced in 2021, this tax applies to fossil fuels like petrol, diesel, natural gas, and heating oil, set at €30 per ton of CO₂ as of 2024.



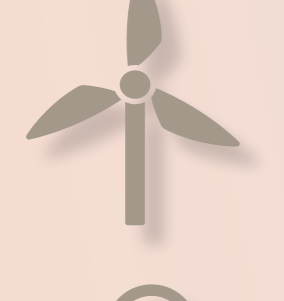
Excise Duties on Energy Products: Higher duties on more polluting fuels, such as petrol and diesel, to promote a shift toward cleaner energy alternatives.



Vehicle Registration Tax: Imposed on new vehicles based on CO₂ emissions, incentivising low-emission vehicles like electric and hybrids.



Tax on Plastic Bags: A fee on single-use plastic bags to reduce waste and encourage reusable bags.



Waste Management Fees: Charges for waste disposal services to incentivise recycling and waste reduction.



Water Pollution Tax: Based on the volume and type of pollutants discharged into water supplies.



Renewable Energy Fund Contributions: Surcharge on electricity bills to fund renewable energy development.



Tax Incentives for Green Investments: Tax credits and subsidies for investments in eco-friendly technologies and renewable energy.



IOSS (Import One Stop Shop)

The Import One-Stop Shop (IOSS) is an electronic portal that companies can use to meet their VAT E-commerce obligations on imported goods in all EU countries. Introduced in July 2021, this scheme simplifies VAT compliance by allowing businesses to use one VAT registration to report VAT on sales to consumers in all 27 EU member states where the goods have been imported from outside of the EU, including goods sent from the UK.

The IOSS is relevant for sellers who deal with imported goods up to a value of €150 from a third country or territory and sell them to private buyers in the EU.

The IOSS in Luxembourg operates through an online portal

managed by the Administration de l'Enregistrement, des Domaines et de la TVA (AED), which is the Luxembourg VAT authority. This portal facilitates IOSS registration and administration for businesses based in Luxembourg or those choosing Luxembourg as their member state of registration for IOSS purposes.

Under the IOSS scheme, businesses are relieved from paying import VAT for transactions covered by IOSS.

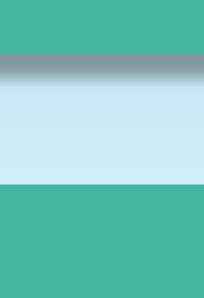
To participate in the IOSS procedure across the EU, you must register an online merchant or an interface (such as an online platform or portal) in just one EU member state.

DID YOU KNOW...

Luxembourg has the lowest standard VAT rate in the European Union. While most EU countries have standard VAT rates ranging from 20% to 25%, Luxembourg's standard VAT rate is only 17%. This makes it an attractive location for businesses and consumers alike, particularly for digital services and e-commerce transactions. Additionally, Luxembourg applies reduced rates of 3%, 8%, and 14% on various goods and services, further highlighting its business-friendly tax environment.

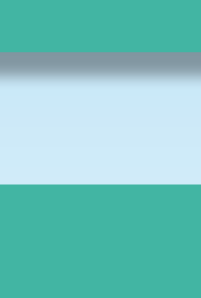


Exemptions



Education services

Financial Transactions



Cultural Services

Sport activities



Postal Services

Religious Services



Innovate Tax

