

Luxembourg newsflash

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Increase in VAT rates and other VAT measures in Luxembourg

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On 18 December 2014, Parliament voted the Luxembourg 2015 Budget which contains various VAT measures that will apply as from 1 January 2015.

Increase in VAT rates

Even if Luxembourg has been eager to retain the lowest VAT rate in the EU, the increase in the Luxembourg VAT rates will still be substantial as from January 2015:

- the standard VAT rate will rise from 15% to 17%;
- the 6% rate increases to 8% (applicable essentially to the supply of gas, electricity and heating as well as to certain transactions involving works of art, collections and antiques);
- the intermediary rate will rise from 12% to 14% (applicable to advertising publications, wine, domestic fuels and certain non-exempt financial services such as custody services and asset management services).

The 3% rate remains unchanged with some exceptions however:

- the benefit of the 3% rate will only extend (i) to construction and renovation work on housing which is the principal residence of the owner and (ii) to renovation work on housing which is the principal residence of any person other than the owner. A transitional measure has been introduced providing that the 3% rate will remain applicable until 31 December 2016 to claims filed prior to 1 January 2015;
- the on-site supply of alcoholic beverages by restaurants will be subject to 17% VAT;
- the 3% VAT rate applicable to children's clothing is subject to an age limit of 14 years.

New reimbursement procedure for VAT receivables

The Budget Law has introduced a new reimbursement procedure for VAT receivables. A taxable person in a VAT receivable position in relation to the Luxembourg Treasury will be able to claim a refund of the VAT credit from the "Recette Centrale". This claim should be made by registered mail and contain an indication of the date of the latest detailed account statement or the latest consultation date of the electronic VAT (eTVA) account.

Further to this claim, the following rules are applicable:

- the VAT authorities have four months in which to either grant or refuse the refund claim. When analysing the claim, the VAT authorities may request additional information from the taxable person (a response must be forthcoming within one month). The VAT authorities have an additional two-month period in which to respond to the refund claim. If the refund is not made, the VAT authorities will be liable to pay interest, within ten working days of the end of the four-month period (or six-month period, where an additional information claim has been made) at the legal rate of 7.2% per year;
- in case of refusal, an appeal can be made before the VAT Director within three months.

We remain at your disposal to assist you with any queries related to these changes.

This publication is intended to provide information on recent legal developments and does not cover every aspect of the topics with which it deals. It was not designed to provide legal or other advice and it does not substitute for the consultation with legal counsel before any actual undertakings.

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