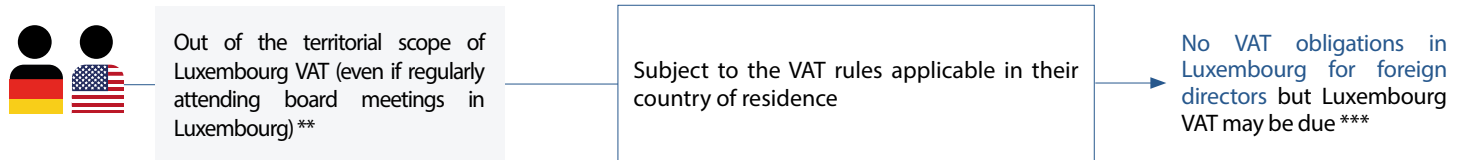


# VAT pocket guide to directorship

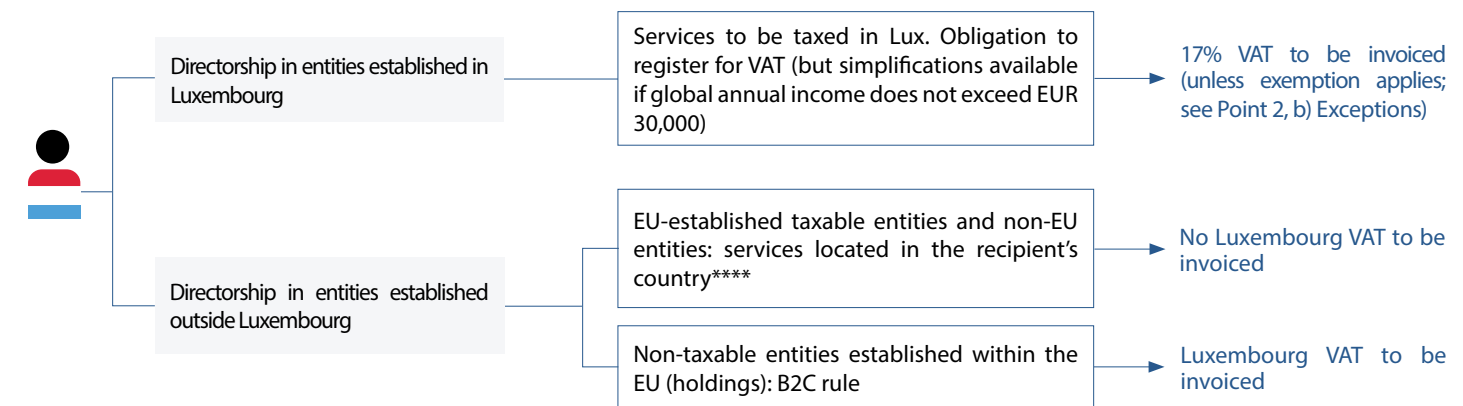
Context: Circular n° 781 dated 30 September 2016 issued by the Luxembourg VAT authorities confirms the VAT status of independent directors in Luxembourg. As from 1 January 2017 directors are considered as taxable persons for VAT purposes and their remuneration is subject to VAT at 17%\*.

## I. Foreign independent directors: not subject to Luxembourg VAT rules

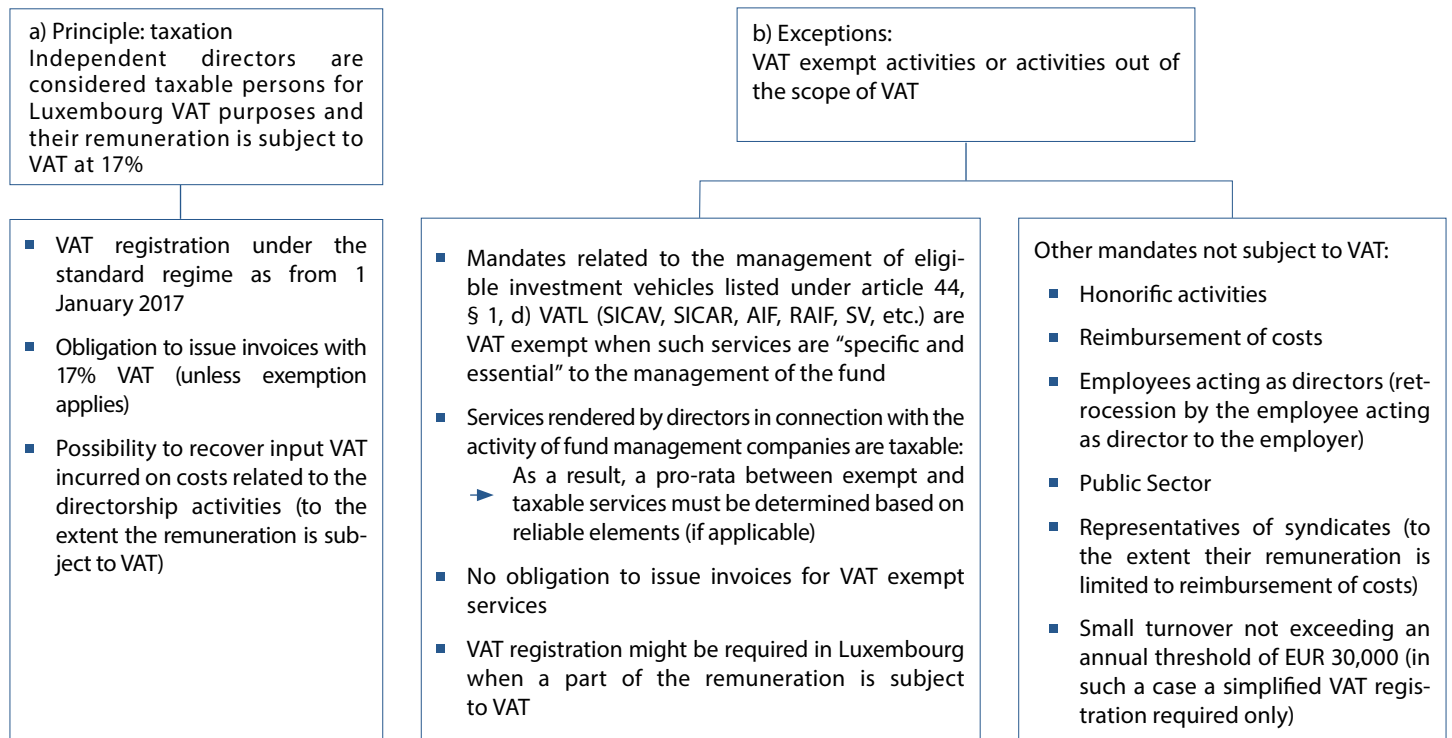


## II. Luxembourg independent directors: Luxembourg VAT rules apply

### 1. Overview of the main VAT localisation rules



### 2. Overview of Luxembourg VAT taxation/exemption rules applicable to services located in Luxembourg



\* The new rules are applicable to services rendered as from 1 January 2017, meaning that if an invoice is issued in 2017 for the services rendered in 2016, these rules are not applicable.

\*\* The notion of residency for VAT purposes means the domicile of the natural person (the address entered in the population or similar register). Attention should be paid to the notion of permanent establishment. In case a person has a permanent establishment (e.g. an office in Luxembourg), it may be assimilated to a Luxembourg resident.

\*\*\* In case the Luxembourg recipient of services is either a VATable person, or registered for Luxembourg VAT purposes or required to register upon receipt of taxable services from abroad, it will have to self-assess Luxembourg VAT at 17% on directors services received under the reverse charge mechanism (unless an exemption applies). The VAT self-assessed by the Luxembourg services' recipient will be recoverable to the extent it is entitled to full or partial input VAT deduction right.

\*\*\*\* "B2B": Business-to-Business = transactions between VAT taxable persons or with VAT registered entities; "B2C": Business-to-Consumer = transactions with non-VAT taxable persons, not registered for VAT (e.g. passive holdings, private individuals).

### III. Luxembourg VAT compliance obligations

#### 1. VAT registration

##### Standard regime

- Registration for Luxembourg VAT under the standard regime as from 1 January 2017 for mandates subject to VAT (rendered to Luxembourg or foreign counterparties)
- Obligation to submit annual and/or periodical VAT returns
- Payment of VAT due at the time of filing of the periodical/single annual VAT return
- If EU B2B services rendered, obligation to submit European Sales Listings
- Input VAT recovery right on costs incurred in relation to the VATable activity

##### Simplification measures

- Simplification regime available for remunerations not exceeding a yearly threshold of EUR 30,000
- Obligation to register for VAT but no obligation to charge VAT on invoices issued or to file VAT returns
- No input VAT recovery right

#### 2. Deadlines for the submission of the VAT returns

Annual turnover (EUR)	Periodical VAT returns	Annual VAT returns
< 112,000		Single annual VAT return Legal deadline: 1 March following the declaration year, extended deadline granted by the VAT authorities until 31 October of the same year
112,000 – 620,000	Quarterly VAT returns Legal deadline: the 15 <sup>th</sup> day following the declaration period, an extension of two additional months is granted by the VAT authorities	Recapitulative annual VAT return Legal deadline: 1 May following the declaration year, extended deadline granted by the VAT authorities until 31 December of the same year
> 620,000	Monthly VAT returns Legal deadline: the 15 <sup>th</sup> day following the declaration period, an extension of two additional months is granted by the VAT authorities	Recapitulative annual VAT return Legal deadline: 1 May following the declaration year, extended deadline granted by the VAT authorities until 31 December of the same year

#### 3. Invoicing requirements

- The application of VAT on invoices and particular requirements (mandatory statements) will depend on the country of establishment of the counterparty and its VAT status
- Possibility to issue electronic invoices
- Self-billing
- No obligation to issue invoices for VAT exempt services or under the VAT simplification regime

### IV. Arendt “All in Solution”

- Full analysis/assistance in the drafting of mandates, agreements, invoices and any other relevant documents
- Preparation and submission of the VAT registration file to the VAT authorities (if necessary)
- Preparation and electronic filing of the VAT returns (annual and/or periodical)
- Management of VAT workflows (including VAT refund requests)
- Follow-up with the VAT authorities (in case of additional questions or a VAT audit)
- Review of official communication (letters, extracts, assessments, etc.) issued by the VAT authorities
- Tailor-made training sessions
- For directors of investment funds/fund management companies: advice regarding the conditions required for the application of the fund management VAT exemption and assistance with the accurate methodology to be used in case a split between taxable and VAT exempt activities is needed (i.e. for fund management companies' directors)

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