



Luxembourg Newsflash - 10 November 2022

Luxembourg temporarily reduces VAT rates

With the Luxembourg Parliament's adoption of bill of law no. 8083 published on 26 October 2022, a 1% reduction of all VAT rates (except the super-reduced rate, which will remain at 3%) will apply in Luxembourg for the period from 1 January 2023 to 31 December 2023.

Following the "tripartite" agreement (government, employers and trade unions) announcing a package of measures including a temporary 1% reduction of most VAT rates, [bill of law no. 8083](#) was adopted. Its publication on 26 October 2022 brought some of the announced measures into force, including the VAT rates decrease.

At the moment, the following four VAT rates exist under Luxembourg VAT law:

- the standard rate of 17% for goods and services not subject to the other rates;
- the intermediate rate of 14% for management of credits and credit guarantees by a person other than the one granting them, for management and safekeeping of securities, etc.*;
- the reduced rate of 8% for electricity, gas, hairdressers, bicycle repairs, etc.*; and
- the super-reduced rate of 3% for food, hotel and restaurant services, water supply, books, etc.*.

*The full list is available in annexes A, B and C to the Luxembourg VAT law.

As from 1 January 2023, the **standard**, **intermediate** and **reduced rates** will decrease by 1% to reach **16%**, **13%** and **7%**, respectively. This measure is expected to end on 31 December 2023. The super-reduced rate will remain at 3%.

Although the aim is to reduce the inflation burden on end-customers, it is noteworthy that the law does not provide for any further requirements – for example, an obligation on taxable persons to pass this VAT decrease on to customers through pricing.

In any case, companies carrying out transactions in-scope of VAT should pay close attention to the practical consequences of the VAT rates decrease. Businesses will need to update their internal accounting systems, invoice and contract templates, and agreements in force to ensure that the correct VAT rates are applied and because the measure is **temporary**, they will have to restore the current rates as from January 2024.

Last but not least, the method for choosing the point in time that determines the applicable VAT rate (i.e. 17% or 16% for the normal rate) will have to be carefully analysed in light of the complex rules governing chargeable events.

Arendt's VAT team remains available to assist you in considering how best to implement these changes and be prepared for when the new rates come into force.

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