



ATOZ VAT ALERT

Publication of the law implementing the VAT group in Luxembourg

20 August 2018

On 10 August 2018, the Law implementing a VAT group regime in Luxembourg was published in the Official Journal of the Grand Duchy of Luxembourg.

The VAT group regime is applicable as from 31 July 2018.

As stated in our previous VAT Alert¹, the implementation of a Luxembourg VAT group regime is a positive signal for financial and insurance sector players having a limited VAT deduction right as well as for those that have been impacted by the limitation of the scope of the VAT exemption for independent groups of persons².

For persons eligible for this regime, i.e. entities closely bound by financial, economic and organisational links, the implementation of a VAT group entails notably the following consequences:

- transactions between Luxembourg group members are out of scope of VAT and therefore not subject to VAT. This aspect is particularly relevant for groups of companies where support functions are centralised at the level of one or several entities and where the companies receiving the services have a limited or no VAT deduction right. Thus, no VAT cost occurs on intra-group transactions performed within a VAT group;
- the VAT deduction right is not computed at the level of the group members but at the level of the group in light of the overall activities carried out by the group members with third party counterparts;
- transactions carried out by group members with third parties are reported in the VAT return of the VAT group;

¹ [VAT Alert dated 19 April 2018](#)

² [VAT Alert dated 25 September 2017](#)

- a VAT group implies a joint VAT liability among the VAT group members and regular monitoring to ensure that the conditions to be part of the VAT group remain fulfilled;
- when within the perimeter of a VAT group, pure holding companies could see their VAT status impacted, triggering potential non-deductible VAT costs when receiving services from non-Luxembourg service providers.

The implementation of a VAT group involves a preliminary assessment with regards to the conditions to be met in order to set up a group and to determine whether this scheme would entail positive or negative VAT consequences. In this regard, it is therefore critical to perform a cost / benefit analysis before taking any additional actions.

Our teams would be glad to advise on the opportunity to set up a VAT group.

Can we help? Do you have further questions?



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