



Input VAT newsletter

Director fees - 2016 VAT & TAX update

The Luxembourg VAT Authorities recently confirmed that Independent Director services fall within the scope of VAT.

Therefore, it means that their services are VAT taxable (17%) if rendered to Luxembourg entities and if no VAT exemption applies.

This position affects many Directors who considered (based on the market practice) that their services were “out of the scope” of VAT.

Taking this into account, we now recommend Directors to consider their current VAT status. We expect that many of them will have to register for VAT.

We also draw your attention to the fact that a company paying Director fees to a “non-Luxembourg” resident Director may be directly liable for paying the VAT due based on the so-called reverse-charge mechanism (“B2B” place of service principle).

This additional VAT on Director fees will affect the companies with a partial or no right to deduct input VAT (typically: banks, insurance companies, hospitals...).

This topic should definitely be discussed during your next Board meetings in 2016.

In addition, please note that the Minister of Finance recently confirmed to some professional associations that any clarifications concerning the tax treatment of directors' remunerations whether indirect taxation (VAT) or direct taxation (withholding tax, tax deductibility for the company paying such remunerations), will be an integral part of the upcoming tax reform and will as such become effective at the earliest on 1 January 2017.

We will keep you informed on all further developments.

We remain at your disposal should you have any further questions.



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