



Luxembourg VAT Group

Assessing the pitfalls and opportunities

The introduction of the VAT group has been a request of the Luxembourg financial sector since more than 20 years. The authorities have accepted to introduce the VAT group after that the Court of justice of the European Union decided in September 2017 that the financial sector no longer could benefit from the "independent group of persons" VAT exemption.

For both the financial sector and the non-financial sector, this is a major change in the Luxembourg VAT legislation and comes as often with pitfalls and opportunities....

The most commonly known VAT group features sound rather attractive: Only one consolidated VAT return and no more VAT due on transactions between the members of the VAT group. This comes obviously with a joint VAT liability of the members of the group.

To benefit from this regime, there are a few points of attention that must be analysed before moving on. As per the current Luxembourg draft law, setting up a VAT group will be an option. However, when the option is lifted, all members that meet the three criteria (i.e. financial, economic and organisational links) should in principle be members. It means that any Luxembourg entity involved in a contemplated value chain will be part of the VAT group. Therefore, the VAT consequences for each of these members must be ascertained and compared to the overall benefit for the group.

"Each Member State may regard as a single taxable person any persons established in the territory of that Member State who, while legally independent, are closely bound to one another by **financial, economic and organisational links**"

Article 11 – Directive 2006/112:

It is thus of the utmost importance to assess carefully the possible VAT group, the nature of the entities belonging to the group (e.g. VAT taxable and/or non VAT taxable), the extent of the flows between the members of the group... etc.

Our offer

We offer the assistance of experienced VAT experts that are continuously involved in discussions with all major Luxembourg professional associations.

Our suggested approach consists in:

- Assessing the potential scope of your VAT group;
- Listing the entities falling in the scope, determining the entities that could/should be taken out of the VAT group and properly document the reason of this 'opt out';
- Analyzing the impact of the relevant case law (e.g. Skandia);
- Assisting you in the financial modeling;
- Discussing the implementation aspects.

Your advantage

You'll have the full picture to take the best decision in assessing and implementing or not your tailor made VAT group(s).

Should you wish to discuss any of the above, please do not hesitate to contact us.

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