

VAT grouping – Draft law In Parliament

Tax News Alert - May 2018

On 13 April 2018, a draft law was introduced to the Luxembourg Parliament by the Minister of Finance in order to implement VAT grouping provisions into the Luxembourg VAT law.

End of the IGP for the financial Industry

Based on several decisions of the Court of Justice of the European Union last year, the Luxembourg Government had limited the application of cost sharing groups (so called independent group of persons or “IGP”) to groups of members which are active in the public interest and (solely) benefit from the VAT exemption of article 132 of Council Directive 2006/112/EC. Such IGP regime had been used by many groups of the financial industry in order to reduce VAT costs for intra-group support services.

Alternative for the financial sector in Luxembourg

As the end of the IGP for the financial sector means an additional VAT cost for services provided between group entities, the Luxembourg government decided to implement the so called VAT grouping as an alternative. The option for VAT grouping is based on article 11 of Council Directive 2006/112/EC and already implemented in various EU Member States (e.g. Germany, UK, The Netherlands, etc.)

How does VAT grouping works?

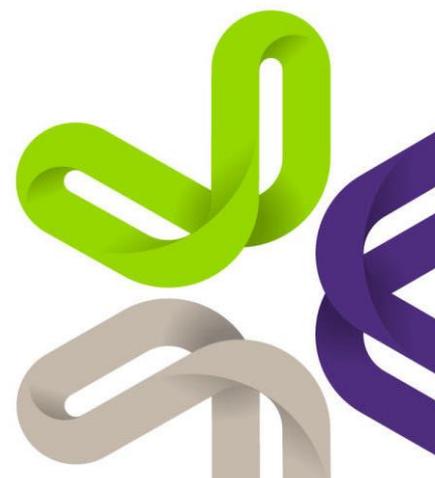
Although a VAT group is composed of two or more independent entities, such entities are considered to be one single VAT taxable person acting under one single VAT number. Accordingly, transactions between the members are considered as outside the scope of VAT.

New draft VAT grouping rules in Luxembourg

In order to form a VAT group, the entities will have to fulfil certain conditions. For example:

- The members of such group must be established in Luxembourg;
- They shall be closely linked from financial, economic and organizational point of view;
- The VAT group needs to appoint a representative which will act as a main contact towards the Luxembourg VAT authorities and will be responsible for the VAT filing;
- The VAT group, represented by its appointed representative, needs to apply formally to the VAT for the application of the VAT grouping rules.

For entities of the financial sector that often have only a partial or even no input VAT recovery right, this regime is certainly advantageous, if services are provided to other group entities. However, for cross border services the standard rules will still apply and the specific VAT number allocated to the VAT group may not be used. We will monitor the legislative procedure and keep you informed about any changes which might result from this process.





Contact



Jean-Michel Hamelle

T +352 (0) 45 38 78 1
F +352 45 38 29
E jeanmichel.hamelle@lu.gt.com



Franck Heykes

T +352 (0) 45 38 78 1
F +352 45 38 29
E franck.heykes@lu.gt.com

About Grant Thornton

We're a network of independent assurance, tax and advisory firms, made up of 50,000 people in 135 countries. And we're here to help dynamic organisations unlock their potential for local and international growth. We've got scale, combined with local market understanding. That's mean we're everywhere you are, as well as where you want to be. But what set us apart is our distinctive client experience which leads to more meaningful advice and a better working relationship.



Grant Thornton Luxembourg is committed to providing a highly professional service to help all of our clients meet their financial objectives, both business and personal. We have produced this "Tax News Alert" as part of this service but it is intended only as a guide in highlighting general issues which may be of interest to our clients. It is not a substitute for full professional advice and specialist assistance should be sought in relation to any particular circumstances. Accordingly, no responsibility for loss occasioned to any person acting or refraining from acting as a result of any material in this publication can be accepted by Grant Thornton Luxembourg.

Grant Thornton Luxembourg
20, Rue de Bitbourg
L-1273 Luxembourg

T +352 (0) 45 38 78 1
F +352 (0) 45 38 29



www.grantthornton.lu



© 2018 Grant Thornton Luxembourg. All rights reserved.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Luxembourg and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.