

FINTECH – VAT CONSIDERATIONS

A summary of the rules, potential opportunities and implications



WHAT ARE THE LUXEMBOURG RULES?

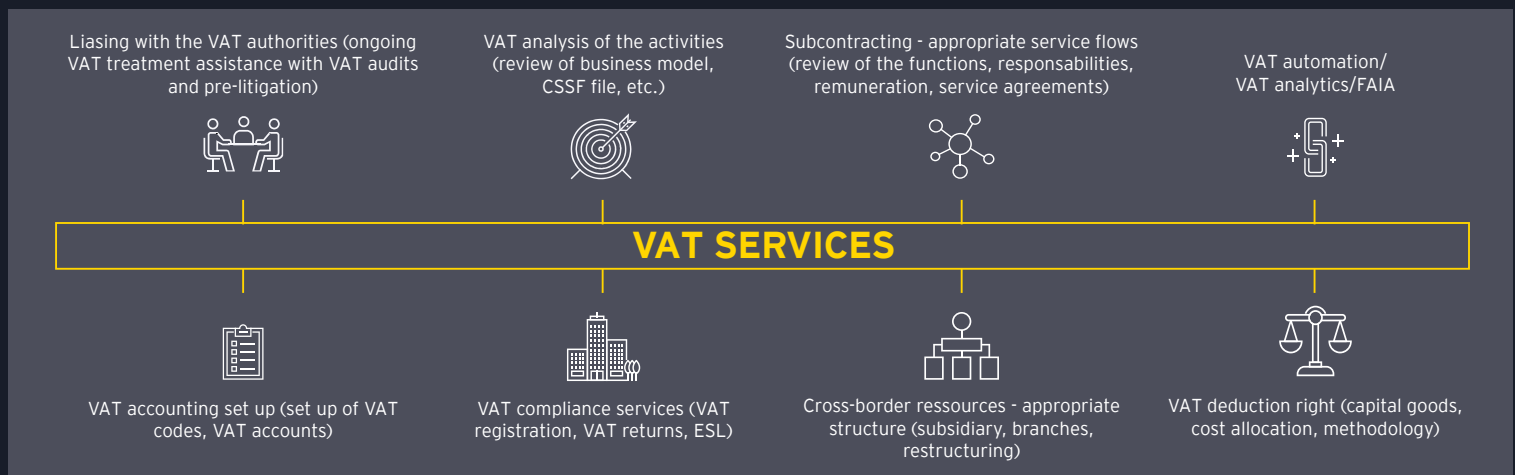
- ▶ VAT exemptions apply in the financial sector
 - ▶ Credit, transaction in securities, insurance/reinsurance, payment services, transfers, current accounts, guarantee, currency, bank notes, coins, fund management, etc.
- ▶ Conditions:
 - ▶ Nature of services (functions, responsibility)
 - ▶ Nature/quality of the service provider (in limited cases)
- ▶ If conditions are fulfilled:
 - ▶ Mandatory application
 - ▶ If VAT charged incorrectly - is due and non-deductible
- ▶ Exemption of sub-contracted services if specific and essential services
- ▶ Open market value for intragroup services
- ▶ VAT deduction limitation:
 - ▶ Non-deductible - VAT on costs that are related to exempt activities
 - ▶ Deductible - VAT on costs that are related to taxable activities (some exceptions)
 - ▶ Allocation: analytical accounting

KEY BUSINESS CONSIDERATIONS

- ▶ What are regulatory requirements in Luxembourg (à minima substance/risks)?
- ▶ What clientele: location, businesses, individuals
- ▶ What is the business model (subcontracting, remuneration/profit split)
- ▶ Where is the substance

KEY VAT CONSIDERATIONS

- ▶ Optimize use of VAT group
- ▶ Optimize accounting treatments (e.g., bad debt relief, VAT on fixed assets and potential regularization)
- ▶ Reviewing operating models, enterprise resource planning (ERP) and tax accounting setup, to enable an efficient and optimized tax reporting process (Automation)
- ▶ Support the restructure of supply chains to optimize and minimize VAT leakage



HOW WE CAN HELP

Our network of dedicated indirect tax professionals combines deep technical and industry knowledge, supported by advanced technology, tools and methodologies. We can work with you to identify indirect tax cash realization opportunities quickly and effectively.



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