

HOLDINGS AND VAT

Can a VAT cost be mitigated?

VAT represents one of the largest “above the line” costs for pure holdings and for VAT taxable persons with no or only a partial right to recover input VAT (e.g., investment funds, securitization vehicles, banks, insurance companies, fund managers or holdings with an EU financing activity).

Also, when an acquisition, a sale or a restructuring of a shareholding is taking place, VAT potentially applicable on advisory and transactions costs can significantly impact the financial outcome of a transaction.

The VAT status of a company generally determines the place of taxation of services for VAT. This VAT status is often not, or at least not sufficiently, analyzed before entering into transactions to identify the potential impact of VAT on the services received. Also, if a VAT exemption exists for certain services, it is not always properly analyzed in due time and discussed with the service provider.

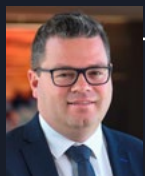
On that basis, it is of the outmost importance for business to think ahead of entering any agreement with third party suppliers to properly identify and potentially mitigate the VAT burden inherent to an acquisition, sale or restructuring exercise.

HOW WE CAN HELP?

Our network of dedicated indirect tax professionals can provide amongst others the following services:

- ▶ Review the agreements to determine if an exemption from VAT on services received, such as for instance on the negotiation in the acquisition or the sale in shares or negotiation of credit, is applicable
- ▶ Assist in the review of the method used to compute the right to recover input VAT, to potentially advising on the use of alternative methods to mitigate VAT costs
- ▶ Provide recommendations to restructure the business to minimize the VAT cost and reflect the economic reality of the transaction
- ▶ Assist with the fulfilment of the potential administrative obligations: VAT registration and deregistration, VAT compliance (VAT returns and EC Sales listings), invoicing rules
- ▶ Analyze the VAT status of the companies involved in the transactions to verify whether they are liable to register for VAT purposes or not, to validate the application or not of the Luxembourg VAT at the appropriate VAT rate (rem: the Luxembourg standard VAT rate is the lowest in the EU) and to identify their additional VAT administrative obligations

OUR TEAM



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