

# LUXEMBOURG VAT GROUP

## A summary of the rules, potential opportunities and implications

### WHAT ARE THE LUXEMBOURG RULES?

VAT Grouping was enacted in Luxembourg legislation with effect from August 2018.

It is an optional regime, which when applied for by the taxpayers results in all Luxembourg establishments meeting the following three tests being treated as a single person for the purposes of VAT:

- ▶ Financial link - members of the group must be under common control
- ▶ Economic link - the members' activities should be of a similar nature or complimentary
- ▶ Organizational link - Members should be organized together with common management

In creating a VAT group the benefits are well known and include:

- ▶ Optimizing overall position of VAT group;
- ▶ Removing pre-financing costs of intra-group supplies
- ▶ Reduce compliance costs as less returns
- ▶ Remove exempt transactions on intra-group supplies

However it is necessary to carefully consider the wider implications caused by Skandia and transformation of intra-group supplies.

### HOW TO MAXIMIZE THE BENEFITS

EY has assisted businesses consider the potential consequences of creating a VAT group through to assisting with the application and ongoing compliance. To this extent our approach is largely as follows:

- ▶ Assess - identify those entities which are eligible to be included in a VAT Group were one to be created
- ▶ Model - we can use historic and estimated data to help model multiple scenarios to quantify the potential benefit of creating a VAT group
- ▶ Apply - where relevant we can assist the business with the preparation of all the necessary documentation to create a Group.
- ▶ Comply - having created a VAT Group we can assist with the ongoing group compliance

### REPORTING CHALLENGES

We're aware that some clients have multiple entities on multiple ERP systems. To that extent, extracting and merging all the necessary information to compile Group VAT Returns and/or a FAIA file for the VAT group could prove to be very difficult.

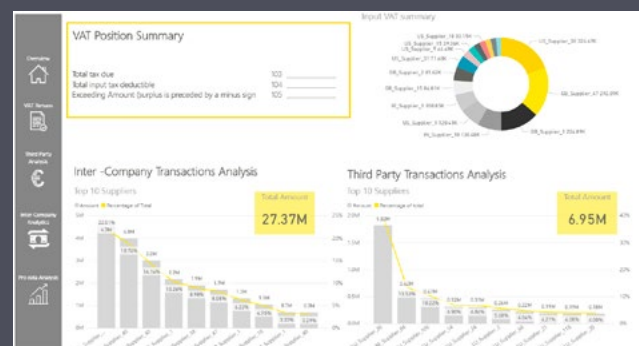
We've therefore developed an automated offering which can be used to:

- ▶ Create a FAIA file for the group
- ▶ Use this as a dataset from which to generate periodical and annual VAT returns

Please see an example output below.

- 1 Does your group have multiple establishments for VAT purposes in Luxembourg?
- 2 Are supplies including recharges and loans made between members of the corporate group?
- 3 Do the Luxembourg establishments have branches or head offices abroad and could Skandia apply?
- 4 Could creating a VAT Group trigger VAT registrations for establishments which aren't currently registered?

#### EXAMPLE OUTPUT OF AUTOMATED VAT COMPLIANCE



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