

VAT NEWS

VAT RATES: BACK TO NORMAL AS FROM 2024

I. Introduction

A key question surrounding Luxembourg VAT in this late 2023 is whether VAT rates shall go up again as of January 1, 2024. The answer should be yes!

The decrease of the Luxembourg VAT rates by 1% (with the exception of the super-reduced rate) that was introduced in late 2022 was a temporary provision in principle limited to the period from 1st January 2023 to 31st December 2023.

Therefore, unless any unexpected last-minute change, the applicable VAT rates shall go back to normal as from 1st January 2024 and should be as follows:

2023	As from 2024
Super-reduced (3%)	Super-reduced (3%)
Reduced (7%)	Reduced (8%)
Intermediate (13%)	Intermediate (14%)
Standard (16%)	Standard (17%)

II. Key attention points

Although this development seems simple in essence, its practical implementation triggers some questions and challenges for businesses. In order to determine the applicable VAT rates, the Luxembourg VAT rules related to the chargeable event and the chargeability of VAT should be considered with attention.

How to apply the correct VAT rates?

As these rules are rather complex and vary depending on the nature of the supplies, an assessment on a case-by-case basis is required.

In our previous [newsletter](#), we set out several practical examples to highlight the key elements to be considered.

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Notably, among others, businesses should consider:

- ▶ the exact nature of the supplies (i.e. supplies of goods or services, intra-Community acquisitions of goods, importations);
- ▶ whether a supply is BtoB (business-to-business) or BtoC (business-to-consumer);
- ▶ if there is an obligation to issue an invoice or not;
- ▶ whether there is a supply with payments on account/advance payments;
- ▶ if there is a continuous supply giving rise to successive statements of account/successive payments.

Following the above assessment, businesses will be able to decide whether the applicable VAT rates are contingent on the date of supplies of goods/services, or the date that the invoices were issued (or should have been issued) or any other elements (e.g. the date of advance payment).

What about the incoming invoices?

Businesses should raise awareness to their competent teams, so that they carefully check the incoming invoices and ensure that the correct VAT rate has been applied.

The application of a wrong VAT rate may lead to financial consequences. This is notably the case for those companies with zero or limited input VAT deduction right where the application of the normal VAT rates instead of the reduced ones would imply a higher VAT cost.

What about the accounting systems?

In order to be able to re-use the normal VAT codes as from 1st January 2024, businesses shall adjust their accounting systems in a timely manner.

For the year 2024, both the decreased and the normal VAT rates shall be reflected in their accounting systems and VAT returns.

III. How could BDO help you?

Should you have any questions on the application of the correct Luxembourg VAT rates, or need assistance with the training of your team, please feel free to contact our VAT experts.

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