



New VAT rates for 2024 - impact for SMEs

The law of 22 October 2022 provides for a temporary reduction of 1% of the Luxembourg VAT rates. As of 1 January 2024, the reduced rates applicable in respect of 2023 have reverted to the "standard" rates applicable in 2022 and before respectively. The super-reduced rate will remain at 3%.

Rate	until and including 2022		2023		2024
normal	16%	⇒	16%	⇒	17%
Intermediate	14%	⇒	13%	⇒	14%
reduced	8%	⇒	7%	⇒	8%
super-reduced	3%	=	3%	=	3%

However, not all invoices, and in particular invoices issued at the beginning of 2024, must necessarily be issued at the new rates. A taxable person who issues an invoice at the wrong rate may have to face an unhappy customer (if he has charged at too high a rate), or the taxman, who may reclaim the amount of "underpayment" (if he has charged at too low a rate).

Identifying the "Relevant Date"

In order to know which of the old (16%) or new(17%) rates is the correct rate, the law uses the concepts of taxable event and due date. In simple terms, the person who has to choose the "right" VAT rate for his invoice has to choose between several dates. Depending on different VAT rules applicable, only one of the dates in question will be the "correct" date (hereafter: the "Relevant Date"):

1. The date on which a supply is received (or a service is completed);
2. The date on which an invoice is issued;
3. The date on which an invoice has not been issued, but should have been issued;
4. The date on which an advance payment bill is collected.

It is therefore important to state on the invoice the date of delivery of the goods or services (especially if it is different from the date of the invoice).

Next, the rate applicable on the Relevant Date must be determined. If the Relevant Date is in 2023, the old, reduced rate remains applicable. If the Relevant Date is in 2024, the new rate is applicable.

Different criteria to identify the Relevant Date

The Relevant Date must be determined depending on whether a particular sale concerns the delivery of goods or the provision of a service.

The Relevant Date must also be determined depending on whether a specific sale is made to a VATable customer (so-called "B2B" sale), a non-VATable legal entity (so-called "B2B" sale) or a non-VATable private individual (so-called "B2C" sale).

Domestic delivery of goods

B2B

In a B2B situation (the customer is a VATable person or a non-VATable legal person), you are in principle obliged to issue an invoice, and within a certain period. The deadline is the 15th of the month following the month in which the delivery was received. Therefore,

- If you issue the invoice before this deadline of the 15th, the Relevant Date is the date of issue of the invoice
- If you do not issue the invoice before this deadline of the 15th, the Relevant Date is the 15th.

Example

A taxable person carries out work to create/renovate a building for another taxable person. The applicable rate is the standard rate.

- Work completed in November 2023

If the invoice is issued:

9 December 2023	⇒ Relevant Date = 9 December 2023	16% rate
19 December 2023	⇒ Relevant Date = 15 December 2023	16% rate
4 January 2024	⇒ Relevant Date = 15 December 2023	16% rate

- Work completed in December 2023

If the invoice is issued:

20 December 2023	Relevant Date = 20 December 2023	16% rate
14 January 2024	Relevant Date = 14 January 2024	17% rate
2 February 2024	Relevant Date = 15 January 2024	17% rate

In other words,

- ⇒ for a supply of goods received before December 2023, the Relevant Date will always be in 2023 (standard VAT rate: 16%), regardless of when the invoice is issued;
- ⇒ for a supply of goods received in December 2023, the Relevant Date will be in 2023 (standard VAT rate: 16%), if the invoice is issued before 1 January 2024;
- ⇒ for a supply of goods received in December 2023, the Relevant Date will be in 2024 (standard VAT rate: 17%), if the invoice is issued on or after 1 January 2024.

Advance payment bills:

When you issue advance payment bills before the supply is delivered, the Relevant Date is the date the invoice for the advance payment is issued.

Example

A VATable person carries out work to create/renovate a building for another VATable person. The applicable rate is the standard rate.

- Work started in 2023 and completed in February 2024

If the invoice is issued:

- as advance payment bill, on 18 October 2023 ⇒ RD = 18 October 2023 ⇒ 16% rate
- as advance payment bill, on 15 December 2023 ⇒ RD = 15 December 2023 ⇒ 16% rate
- as advance payment bill, on 15 January 2024 ⇒ RD = 15 January 2024 ⇒ 17% rate
- as final invoice for the balance, on 27 March 2024 ⇒ RD = 15 March 2024 ⇒ 17% rate

⇒ Issuing an advance payment bill in December 2023 (standard VAT rate: 16%) rather than January 2024 (standard VAT rate: 17%) will preserve the Relevant Date to 2023.

B2C

In a B2C situation (the customer is a non-taxable natural person), the Relevant Date is the date of delivery of the supply, regardless of when the invoice is issued.

⇒ Supplies delivered in 2023 will have to be invoiced at the 2023 rate (standard rate: 16%), regardless of whether the invoice is issued in 2023 or 2024.

As an exception, where the sale concerns the creation/renovation of a dwelling, and the person has undertaken to use the dwelling as his or her principal residence, the so-called "housing VAT" regime applies (please see our explanation of this case in our memo on housing VAT).

Advance payment bills:

When you issue advance payment bills before the supply is delivered, the Relevant Date is the date of issue of the advance payment bill.

⇒ For deliveries scheduled for 2024, issuing an advance payment bill in December 2023 (standard VAT rate: 16%) rather than January 2024 (standard VAT rate: 17%) will preserve the Relevant Date to 2023.

Provision of (domestic) services

The same rules generally apply to the provision of services.

B2B

In principle, you are obliged to issue an invoice within a certain period of time after the service has been provided. I.e.

- ⇒ for a service completed before December 2023, the Relevant Date will always be 2023 (standard VAT rate: 16%), regardless of when the invoice is issued;
- ⇒ for a service completed in December 2023, the Relevant Date will be in 2023 (standard VAT rate: 16%), if the invoice is issued before 1 January 2024;
- ⇒ for a service completed in December 2023, the Relevant Date will be in 2024 (standard VAT rate: 17%), if the invoice is issued as from 1 January 2024.

Progress bills

In the context of the provision of services, it is common practice to issue progress or successive payment bills. More specifically, this is for services of a continuous nature, such as those of an accountant, a lawyer or regular consultancy services. In such cases, invoicing is not done per service but per period.

In this case, the service is considered to have been provided at the end of the period to which the service relates.

- ⇒ for a service relating to an end of period before December 2023, the Relevant Date will always be in 2023 (standard VAT rate: 16%), regardless of the date of issue of the invoice;
- ⇒ for a service relating to an end of period on 31 December 2023, the Relevant Date will be in 2023 (standard VAT rate: 16%), if the invoice is issued before 1 January 2024;
- ⇒ for a service relating to the end of the period on 31 December 2023, the Relevant Date will be in 2024 (standard VAT rate: 17%), if the invoice is issued on or after 1 January 2024.

B2C

In a B2C situation, the Relevant Date is the date the service is performed (completed), regardless of when the invoice is issued.

- ⇒ Services performed in 2023 will have to be invoiced at the 2023 rate (standard rate: 17%), regardless of whether the invoice is issued in 2023 or 2024.

Advance payment bills:

When you issue advance payment bills before the completion of the service, the Relevant Date is the date of issue of the advance payment bill.

- ⇒ For services the completion of which is scheduled for 2024, issuing an advance payment bill December 2023 (standard VAT rate: 16%) rather than January 2024 (standard VAT rate: 17%) will preserve the Relevant Date to 2023.

Other transactions

If you are importing goods, making intra-Community acquisitions or receiving intra-Community services, please contact a professional.

Caveat: this news is provided for information purposes only. They should therefore be validated by a professional, in light of your specific or personal situation.

Do you have any questions?



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