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Service: Tax, Financial Services

Industry: Financial Services

Type: Newsletters

Date: 3/1/2016

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Luxembourg Tax Alert 2016-05

March 2016

Luxembourg VAT on directors' fees

The Luxembourg VAT treatment applicable to directors' fees has been the subject of numerous discussions and press articles for the last few weeks.

On 10 February 2016, the Director of the Luxembourg VAT authorities – Romain Heinen – publicly confirmed that Luxembourg VAT should apply to the supplies rendered by directors. Mr Heinen also indicated that this position is not new, as the approach had always been followed by the VAT authorities.

No VAT exemption should therefore a priori apply to directors' fees. However, Mr. Heinen did advocate flexibility from the VAT authorities with regards to previous years, up to 2015.

Considering the issues triggered by the inconsistencies in the tax treatment of directors' fees (between indirect and direct taxes) and the importance of the question, it appears that the Minister for Finance, Mr Gramegna, confirmed – further to the comments made by Mr. Heinen – that the necessary clarifications and adjustments should be part of the upcoming tax reform, and should therefore not become effective before 1 January 2017.

As it is widely expected that the application of VAT on directors' fees should be confirmed in the context of the tax reform, directors should start assessing their VAT position now and consider potential obligations, as and when appropriate.

Considering that the discussions are still ongoing, please contact us for further information and recent updates.

For further information, please do not hesitate to contact [us](#).

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