

## Luxembourg agrees temporary VAT cut – what you need to know

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In an effort to reduce the impact of inflation on households and businesses, the Luxembourg government met with trade unions on 28 September to agree a new package of measures.

It was agreed that the standard VAT rate be lowered from 17% to 16%, the intermediate rate from 14% to 13% and the reduced rate from 8% to 7%.

For the record, four rates are currently applicable in Luxembourg:

- a normal rate of 17 % for taxable operations other than those listed below
- a super-reduced rate of 3 % for operations involving goods and services listed in Appendix B to the VAT law, for instance food products for human consumption excluding alcoholic beverages, therapeutic articles, various books and newspapers as well as clothing for children under 14 years old
- a reduced rate of 8 % for operations involving goods and services listed in Appendix A to the VAT law, for instance gases, liquefied or in gaseous state, suitable for heating, lighting and powering engines, electrical energy and heat supplied by means of a heating network, as well as hairdressing and for certain works of art
- an intermediary rate of 14 % for operations pertaining to goods and services listed in Appendix C to the VAT law, for instance wines of fresh grapes containing 13% or less of alcohol, with the exception of fortified wines, sparkling wines and liqueur wines, solid mineral fuels; mineral oils and wood intended for use as fuel as well as washing and cleaning preparations.

It is currently understood that the reduced rates will apply as of 1 January 2023. The proposed measures still need to be discussed and confirmed by the Luxembourg Parliament. We will provide an update on the developments accordingly.

For more information about these new proposals and their impact, please reach out to our Luxembourg tax team.

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