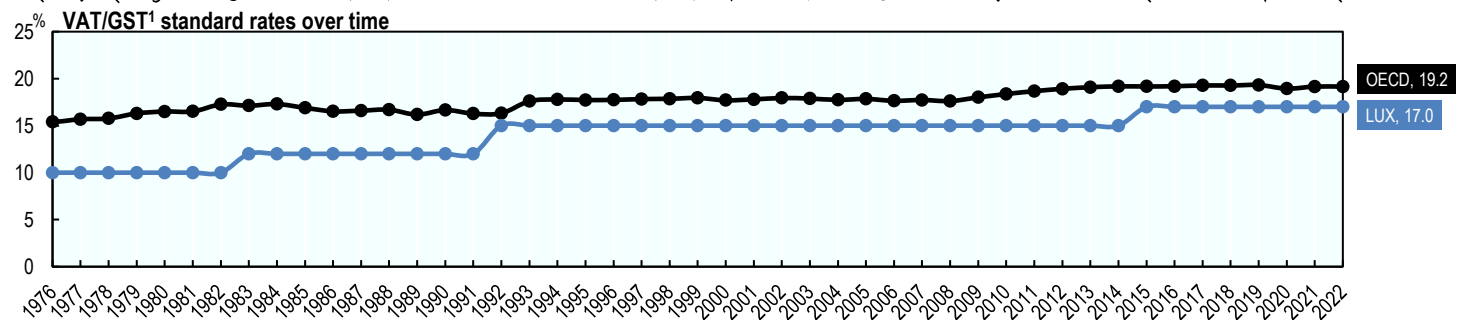
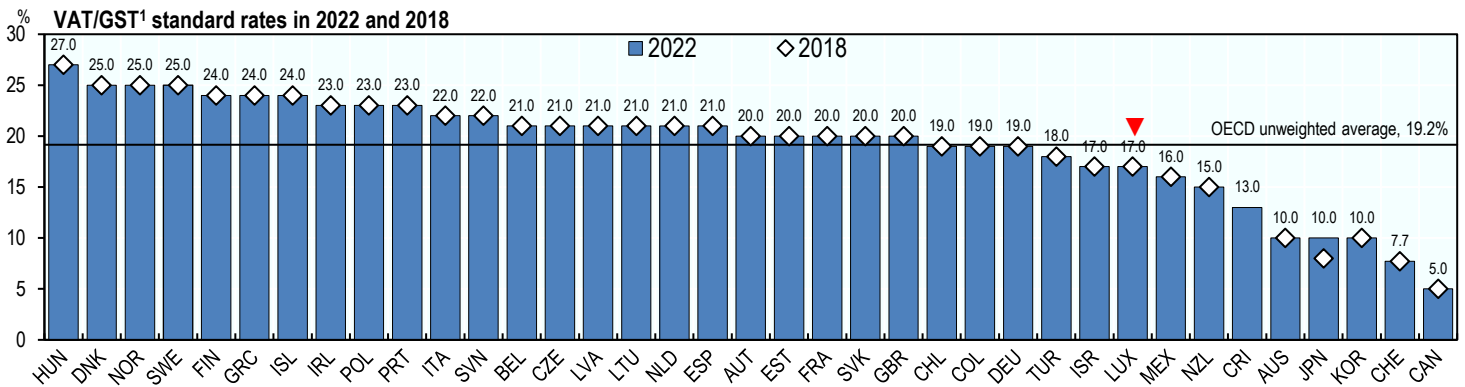


## Consumption Tax Trends\* - Luxembourg

### VAT rate 2022

Luxembourg's standard VAT rate is 17.0%, which is below the OECD average. The average VAT/GST<sup>1</sup> standard rate in the OECD was 19.2% as of 31 December 2022. The previous standard VAT rate in Luxembourg was 15% in 2014. It changed to the current level in 2015. Luxembourg also applies reduced VAT rates of 3%, 8% and 14% to a number of goods and services. Temporary specific reduced VAT rates applied in the context of the Covid-19 pandemic until June 2022. VAT was introduced in Luxembourg in 1970 at a standard rate of 8.0%. Since then the minimum and maximum standard rates have been at 10.0% and 17.0% respectively.



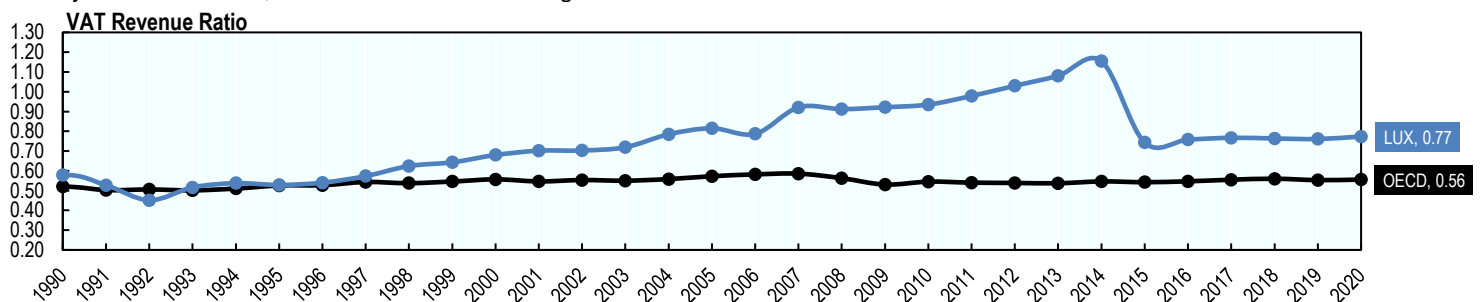
1. VAT/GST refers to value added tax/goods and services tax

Source: OECD Tax Database 1st January 2023

### VAT Revenue Ratio

The VAT Revenue Ratio (VRR) for Luxembourg was 0.89 in 2018, above the OECD average of 0.56. The VRR is a measure of the revenue raising performance of a VAT system. A ratio of 1 would reflect a VAT system that applies a single VAT rate to a comprehensive base of all expenditure on goods and services consumed in an economy - with perfect enforcement of the tax. The Luxembourg's VRR decreased from 0.92 in 2016 to 0.89 in 2018.

The VRR for Luxembourg increased constantly since the late 1990s and exceeded the theoretical maximum of 1 between 2011 and 2014. It is reasonable to assume that the position of Luxembourg as a financial centre and as a hub for European e-commerce, in combination with the treatment of these activities under the European VAT Directive, strongly contributed to its high VRR. Financial services are exempt from VAT in Luxembourg without a right for the service provider to recover the VAT paid on its inputs, including when these services are provided from Luxembourg to other EU countries. These financial services are therefore "input-taxed" in Luxembourg. Electronic services, telecommunication and broadcasting supplied from businesses in Luxembourg to consumers in other EU countries were subject to VAT in Luxembourg until the end of 2014. As of 2015, these supplies to consumers in the EU became taxable in the country of the consumer, which reduced Luxembourg's VAT revenues from these activities.



The figures may not present the difference to the second decimal point accurately due to rounding

\* Information presented on this page is only a summary of more detailed information available in the Tax Database and Consumption Tax Trends publication

Source: OECD Consumption Tax Trends 2022; [oe.cd/vatgst-trends](http://oe.cd/vatgst-trends); OECD Tax Database [oe.cd/tax-database](http://oe.cd/tax-database)



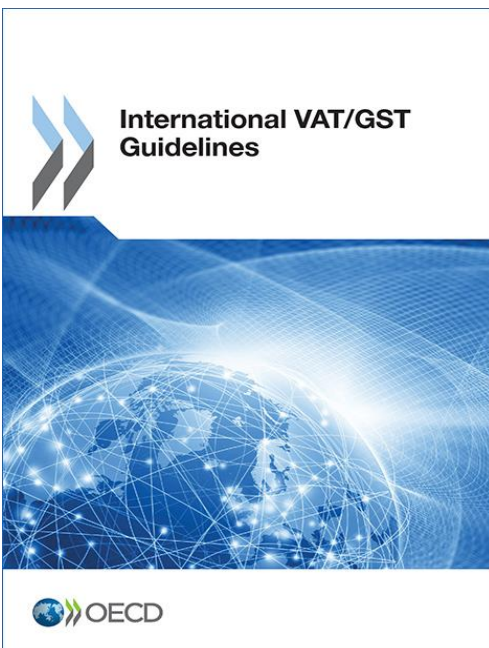
## Consumption Tax Trends 2022

*VAT/GST and Excise, core design features and trends Rates, Trends and Policy*

[oe.cd/vatgst-trends](http://oe.cd/vatgst-trends)

Consumption Tax Trends provides information on Value Added Tax/Goods and Services Tax (VAT/GST) and excise duty rates in OECD member countries.

It also contains information about international aspects of VAT/GST developments and the efficiency of this tax. It describes a range of other consumption taxation provisions on tobacco, alcoholic beverages and motor vehicles.



## International VAT/GST Guidelines

[oe.cd/international-vat-gst-guidelines](http://oe.cd/international-vat-gst-guidelines)

The International VAT/GST Guidelines present a set of internationally agreed standards and recommended approaches to address the issues that arise from the uncoordinated application of national VAT systems in the context of international trade.

They focus in particular on trade in services and intangibles, which poses increasingly important challenges for the design and operation of VAT systems worldwide.

They notably include the recommended principles and mechanisms to address the challenges for the collection of VAT on cross-border sales of digital products that had been identified in the context of the OECD/G20 Project on Base and Erosion and Profit Shifting (the BEPS Project).

Source: OECD Consumption Tax Trends 2022 <http://www.oecd.org/tax/consumption-tax-trends-19990979.htm>

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