



VAT ON COMPANY CARS IN LUXEMBOURG

**Company cars are made available to my employees
Which VAT should I pay in which country ?**

In practice, until the QM case, Luxembourg employers were paying Luxembourg VAT on the private use of company cars on the basis of a deemed service (private use of company assets).

In the **QM case dated 20th January 2021 (Case C-288/19)**, the Court of Justice of the European Union clarified that the provision of a company car to an employee is subject to the rules applicable to the **long-term hiring of means of transport, taxable in the employee's country of residence**, as long as three conditions are met.



Condition 1 :

The supply takes place against consideration (payment by the employee, deduction of a part of the salary, renouncement to other benefits, etc.)



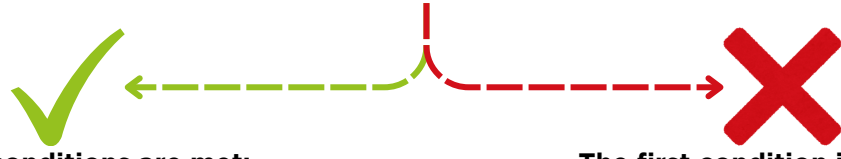
Condition 2 :

The employee has the permanent right to use the car for private purposes and to exclude other persons from using it



Condition 3 :

The employee benefits of the car for more than 30 days



The three conditions are met:

The supply qualifies as a long-term hiring of means of transport
VAT is due where the employee resides

The first condition is not met:

It is a deemed service
If the employer deducts VAT paid on the rental, VAT is due in Luxembourg

Three steps to compliance



1 - Analysis

Analysis of employment agreements, of the car policy, and of individual conditions to use the car, to determine the applicable VAT regime



2 - Compliance

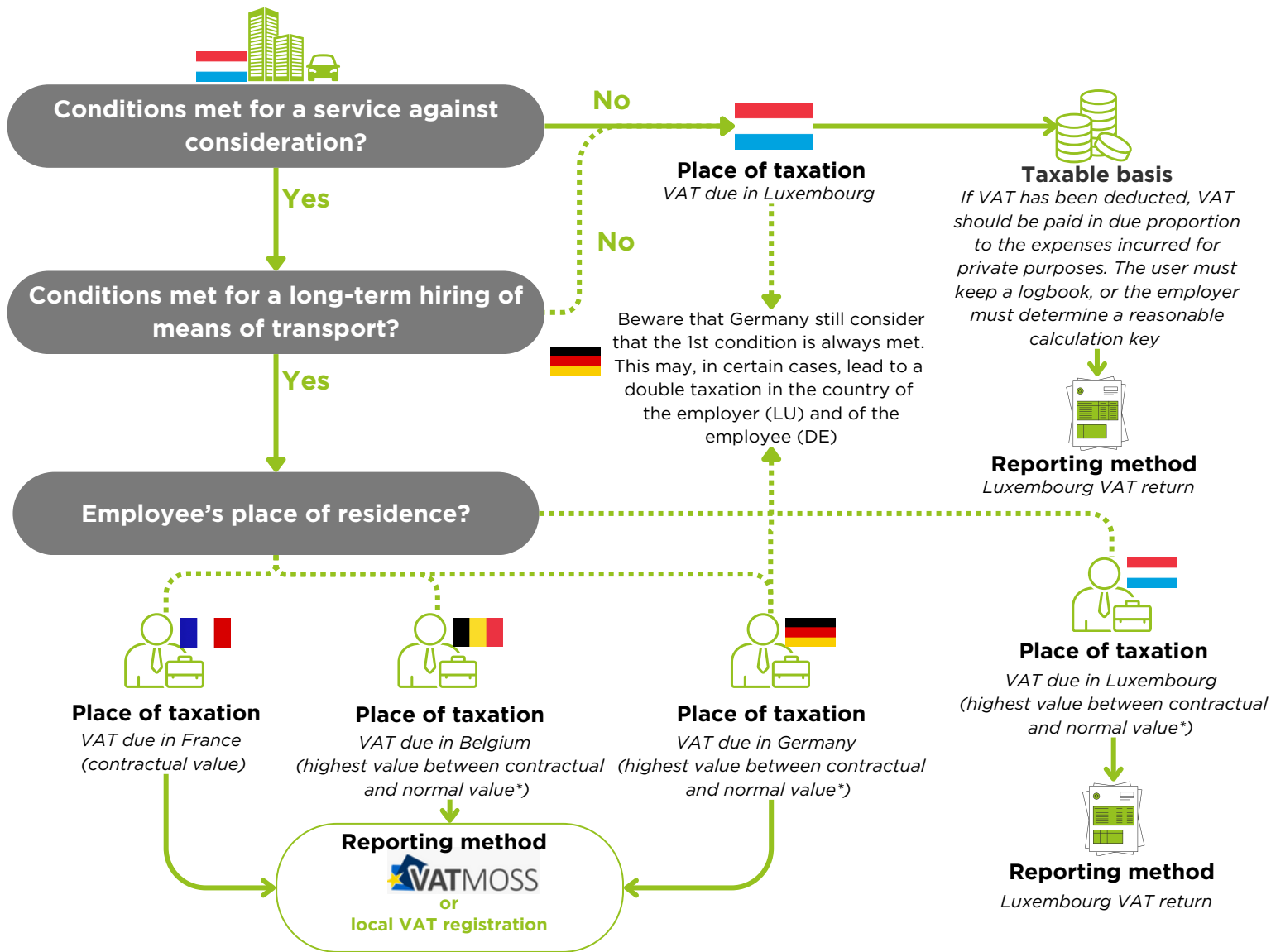
Set up of calculation grids, confirmation and implementation of reporting systems to pay VAT



3 - Regularization

Computation of figures for the past and implementation of necessary reporting systems to regularize VAT on past transactions

Which VAT should be paid following the QM judgment?



***Normal value in Belgium :**
Based on expenses, reduced by a flat-rate of 35% for professional use

***Normal value in Germany:**
Either on the basis of the expenses, reduced by the real professional use (logbook),
Or via the flat-rate method: ((gross value of the car *1%)+ (gross value of the car x 0.03% x number of km home-to-work) = Gross amount to report

***Normal value in Luxembourg:**
Based on expenses reduced by the real professional use (logbook)

VAT SOLUTIONS ensures your VAT compliance in Luxembourg and abroad:

- Training courses adapted to your needs
- Management of your VAT registrations, VAT and OSS EU returns in Luxembourg and abroad
- Support for setting up computation methods and grids
- Assistance to regularize VAT due for prior years

CONTACT US

61, avenue de la Gare
L - 1611 Luxembourg

+352 26 945 944



www.vat-solutions.com

info@vat-solutions.com