The Luxembourg's standard VAT rate is 17.0%, which is below the OECD average. The average VAT/GST¹ standard rate in the OECD was 19.2% as of 1 January 2016, up from 17.7% on 1 January 2009. Luxembourg applies reduced VAT rates of 3%, 8% and 14% to a number of goods and services. Since 2009, 22 of the 34 OECD countries that have a VAT have raised their standard VAT/GST rate at least once. In line with this trend, Luxembourg raised its standard VAT rate in 2015.

The VAT Revenue Ratio (VRR) for Luxembourg was 1.23 in 2014, 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 VRR for Luxembourg has constantly increased since the late 1990s and is now above the theoretical maximum of 1. It is reasonable to assume that the position of Luxembourg as a financial centre and as a hub for European e-commerce has strongly contributed to its high VRR. Financial services provided from Luxembourg to other EU countries are exempt from VAT in Luxembourg without a right for the service provider to recover the VAT paid input on its inputs. These financial services are therefore “input-taxed” in Luxembourg. Electronic services, telecommunication and broadcasting services supplied from Luxembourg to consumers in other EU countries are subject to VAT in Luxembourg. This rule changed as of 2015, when supplies of e-services, telecommunication and broadcasting services to consumers in the EU became taxable in the country of the consumer.

Source: OECD Tax Database 1st January 2016

VAT Revenue Ratio


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<th>LUX</th>
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<td>1.23</td>
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Contacts

David Bradbury
Centre for Tax Policy and Administration
Head, Tax Policy and Statistics Division
David.Bradbury@oecd.org

Stéphane Buydens
Centre for Tax Policy and Administration
VAT Policy Advisor
Stephane.Buydens@oecd.org