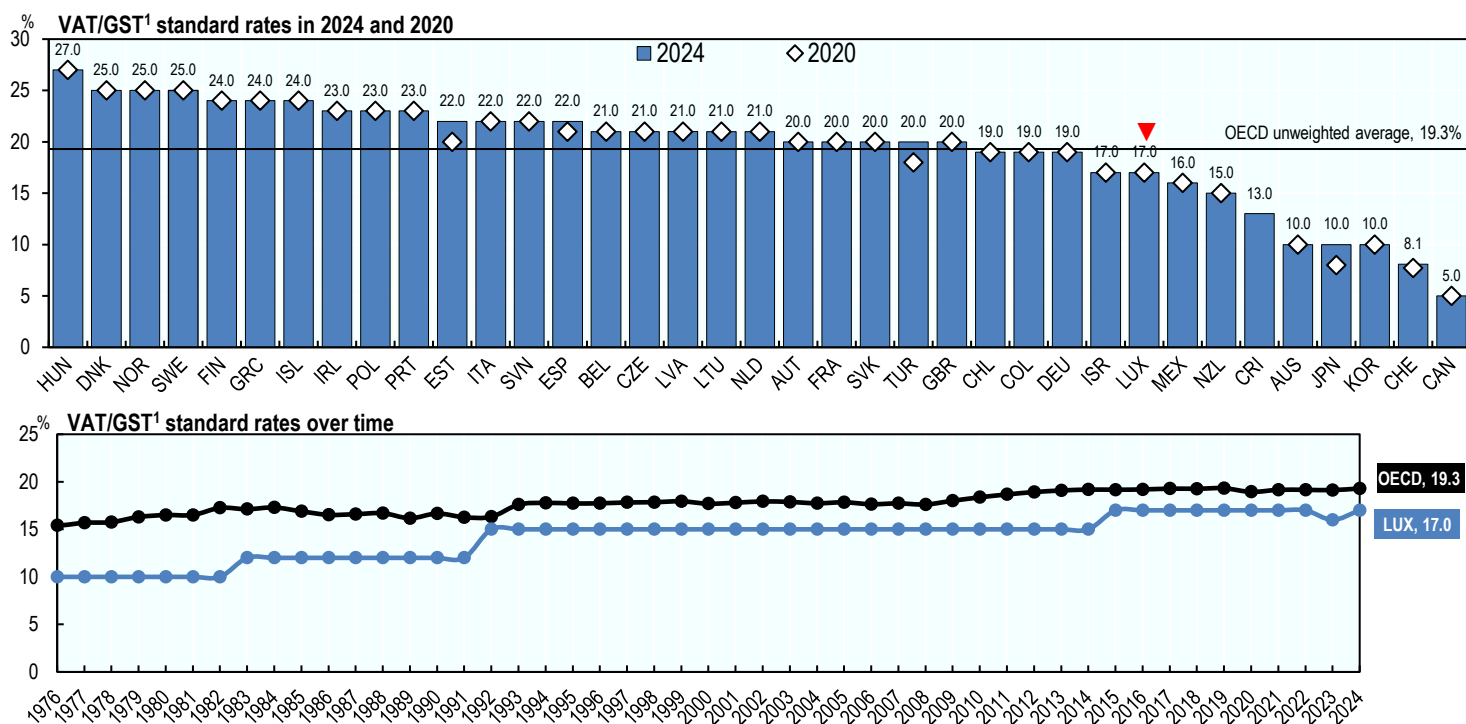


Consumption Tax Trends* - Luxembourg

VAT rate 2024

Luxembourg's standard VAT rate is 17.0%, which is below the OECD average. The average VAT/GST¹ standard rate in the OECD was 19.3% as of 31 December 2024. The previous standard VAT rate in Luxembourg was 16.0% in 2023. It changed to the current level in 2024. Luxembourg also applies reduced VAT rates of 3.0%, 8.0% and 14.0% to a number of goods and services. 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.



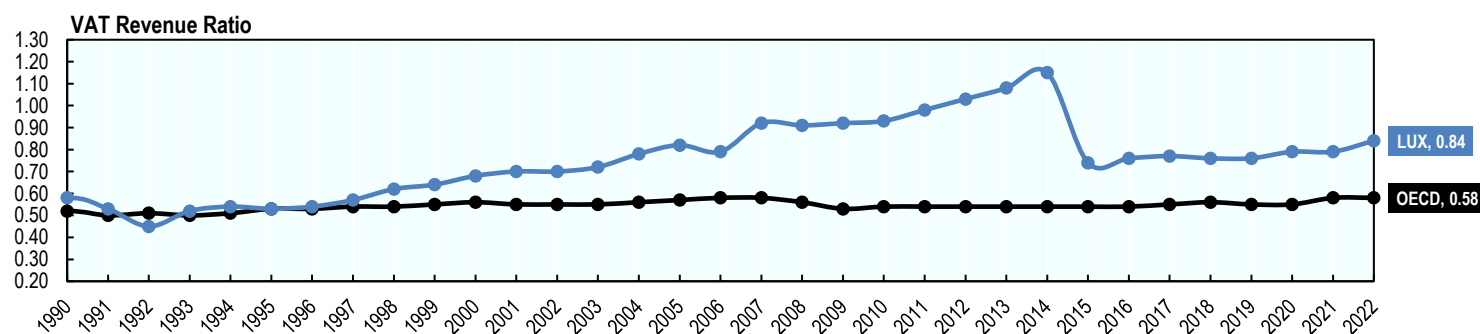
1. VAT/GST refers to value added tax/goods and services tax

Source: Consumption Tax Trends 1st January 2024

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 2024

oe.cd/consumption-tax-trends-2024



Consumption Tax Trends 2024

VAT/GST and Excise, Core Design Features and Trends

oe.cd/consumption-tax-trends-2024

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.



[New toolkit to strengthen the effective collection of value added taxes on e-commerce in Africa](#)

The VAT Digital Toolkit provides detailed guidance for the successful implementation of a comprehensive VAT strategy directed at e-commerce. With VAT the single largest source of tax revenue in African jurisdictions on average, the toolkit aims to help governments in Africa secure increasingly significant VAT revenues and to ensure a level playing field between traditional bricks-and-



[New toolkit to strengthen Value Added Taxes on e-commerce in Asia-Pacific](#)

The VAT Digital Toolkit provides detailed guidance for the successful implementation of a comprehensive VAT strategy directed at e-commerce. It is designed to help governments secure increasingly significant VAT revenues and to ensure a level playing field between traditional brick-and-mortar businesses and foreign online merchants.



[New toolkit to strengthen Value Added Taxes on e-commerce in Latin America and the Caribbean](#)

The VAT Digital Toolkit provides detailed guidance for the successful implementation of a comprehensive VAT strategy directed at e-commerce. It is designed to help governments secure significant VAT revenues and to ensure a level playing field between brick-and-mortar stores and foreign online sellers.

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