

Flash News

Director's fees – Circular no. 781 of 30 September 2016 confirms our Newsletter dated 15 June 2016

On 30 September 2016 the Circular no. 781 (“the Circular”) regarding the activity performed by directors has been published by the VAT authorities. The Circular clarifies the VAT status of independent directors and the VAT treatment applicable to the services rendered by them.

The VAT authorities published as well a detailed list of frequently asked questions which can be consulted under the following link:

<http://www.aed.public.lu/actualites/2016/09/Circ-781/Administrateurs-FAQ/index.html>

The Circular stipulates that the supply of services provided by independent directors is an economic activity falling within the scope of VAT.

Legal entities or individuals acting as independent directors have thus the status of taxable persons from a VAT perspective. The gross amount of the director's fees, i.e. withholding tax included, is subject to VAT at a rate of 17%.

Hence, they are obliged to comply with all VAT requirements deriving from such status (e.g., VAT registration, submission of periodical and annual VAT returns, submission of EC Sales Lists regarding intra-Community supply of services).

The VAT authorities emphasize that independent directors are held liable to strictly comply with the VAT requirements as of 1 January 2017.

The VAT obligations arising at the level of the directors should be analyzed on a case-by-case basis depending on various criteria such as, the kind of services performed by the director, the VAT status of the recipient of the services and the country of establishment of recipient of the director's services.

For comprehensive explanations and clarifications regarding the VAT obligations arising for independent directors, we make reference to our Flash News “*Potential VAT obligations for independent directors*” published on 15 June 2016 which is available on our website (*Publications section*): <http://ba-group.lu/publications-live/>.

Please do not hesitate to contact us should you have any queries regarding the above or would like to discuss your current situation more in detail.

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