

Photovoltaic installations – VAT clarifications in Luxembourg

The Luxembourg VAT authorities have published Circular n. 814 of 1 June 2026, in which they take position on a number of issues relating to the VAT treatment applicable to photovoltaic installations. The circular is relevant for individuals, businesses, real estate owners and energy communities, as it clarifies when the operation of a photovoltaic installation gives rise to VAT obligations and when it allows the deduction of the VAT incurred on the investment. The basic principle is simple: the VAT treatment depends on how the electricity produced is used.

1. Full sale of the electricity produced

When the operator sells all the electricity produced to the grid operator:

- ▶ the activity is considered an economic activity for VAT purposes, if the sale is made for consideration and has a degree of permanence;
- ▶ the operator is therefore considered as a taxable persons for VAT purposes;
- ▶ VAT registration may be required, together with the related filing and payment obligations;
- ▶ the sale of electricity to the grid operator is subject to the reduced VAT rate;
- ▶ input VAT incurred on the investment and on costs directly connected with the installation, such as operation, maintenance and upkeep costs, is in principle fully deductible.

The fact that the activity is not intended to generate a profit is not decisive. What matters is the sale of electricity for remuneration and with a degree of permanence.

2. Full self-consumption

When the operator consumes all the electricity produced for private purposes:

- ▶ there is no economic activity for VAT purposes;
- ▶ the operator does not qualify as a taxable person for VAT purposes;
- ▶ there are no VAT registration, filing or payment obligations;
- ▶ input VAT incurred on the investment and on other costs relating to the installation is not recoverable.

The circular therefore clarifies that full self-consumption remains outside the scope of VAT, but does not allow the recovery of input VAT.

However, attention should be paid to cases where an operator was already registered for VAT purposes and decides to stop selling electricity due to full self-consumption. In that case, the operator must request deregistration from the VAT register. In addition, if the operator had deducted VAT on the investment and the ten-year adjustment period has not yet expired, an adjustment of the VAT previously deducted may be required.

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3. Partial self-consumption and sale of the surplus

This is probably the most likely situation in practice.

When the operator consumes part of the electricity produced and sells the surplus to the grid operator, the operator is considered a VAT taxable person, since the sale of the surplus constitutes an economic activity. As a result, the operator may deduct the VAT incurred on the installation and on directly connected costs.

However, the part of the electricity that is self-consumed must be declared as private use subject to VAT. In other words, the deduction of VAT on the installation is not without consequences. If the operator recovers the VAT on the investment, the electricity used for private purposes must then be subject to VAT.

The taxable amount for self-consumption is determined by applying to the quantity of electricity self-consumed the purchase price of similar electricity, i.e. green electricity purchased from a third party.

4. Small enterprise regime

The circular also clarifies the possible application of the VAT exemption regime for small businesses. Where the annual turnover does not exceed EUR 50,000, the operator may benefit from the VAT exemption regime for small enterprises, subject to the conditions laid down by the Luxembourg VAT Law. In this case:

- ▶ the operator does not charge VAT on the sales of electricity;
- ▶ the operator is not required to file standard VAT returns, provided that no VAT has become due;
- ▶ however, the operator must inform the VAT authorities every year, by 1 March, of the turnover realised in Luxembourg during the previous year;
- ▶ if an invoice is issued, it must include the wording referring to the non-application of VAT under Article 57bis or Article 57ter of the VAT Law;
- ▶ the operator cannot recover input VAT incurred on the photovoltaic investment.

The choice of the small enterprise regime should therefore be assessed carefully. It may simplify VAT obligations, but it prevents the recovery of VAT on the investment and maintenance costs.

In addition, if the operator also carries out other activities subject to VAT, the EUR 50,000 threshold must be calculated by taking into account the total turnover of all activities.

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5. Electricity sharing and energy communities

The circular also addresses the case of electricity sharing. In the case of collective self-consumers of renewable energy, the producer sells electricity to the other members of the group under the agreement entered into between the parties. Such sale entails, in principle, the status of VAT taxable person for the producer.

In the case of an energy community, the community must be constituted as a legal person. The producer sells the electricity to the energy community, which then resells it to the other members. In this case, both the producer and the energy community become VAT taxable persons.

6. Photovoltaic installation as immovable property

Finally, the circular confirms that, for VAT purposes, a photovoltaic installation is considered immovable property where it is integrated into the electrical or thermal systems of a building or construction.

This clarification is important, in particular, for the adjustment period applicable to the VAT deducted on the investment, which may extend over ten years.

Takeaways

The VAT treatment of photovoltaic installations depends on the operating model actually adopted.

- ▶ If the electricity is fully self-consumed, the activity remains outside the scope of VAT, and there is no right to recover input VAT on the installation and maintenance costs.
- ▶ If the electricity is sold, even only in part, the operator becomes a VAT taxable person. In that case, the operator may recover the VAT on the investment, but must also consider the related VAT obligations, including VAT on private self-consumption.
- ▶ The small enterprise regime may simplify the VAT position, but prevents the deduction of input VAT on the installation and maintenance costs.

The practical risks for operators should not be underestimated. The circular does not introduce immediate penalties as such, but it makes it more difficult to treat the operation of a photovoltaic installation as VAT neutral where electricity is sold to the grid, even only in part. Operators should therefore carefully review their operating model and assess whether VAT registration is required. This may be relevant not only for businesses, but also for individuals installing photovoltaic panels.

Particular attention should also be paid to input VAT deduction: where the installation is used exclusively for private self-consumption, no deduction should be available, whereas a full or partial sale of electricity may allow input VAT recovery but also triggers downstream VAT obligations. In mixed-use situations, operators recovering VAT on the investment must also declare the electricity self-consumed for private purposes as a taxable private use. Finally, as photovoltaic installations are treated as immovable property for VAT purposes, any change in the use of the installation may trigger an adjustment of the VAT initially deducted over a ten-year period.

INTERESTED?

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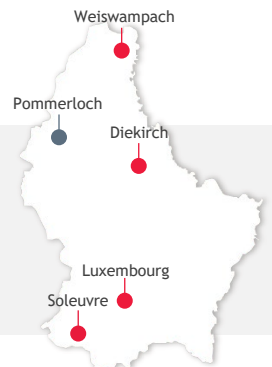
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