

A photograph showing two men in a professional setting. The man on the left is wearing a blue button-down shirt and is looking towards the man on the right. The man on the right is wearing a red polo shirt and is looking back at the man in blue. They appear to be in a meeting or discussion.

## VAT NEWS

# DOMESTIC REVERSE CHARGE EXTENDED TO SUPPLIES OF CERTAIN ELECTRONIC DEVICES AND METALS

### I. Introduction

Following the example of other EU Member States, Luxembourg has extended its domestic reverse charge mechanism to apply to certain supplies of electronic devices and metals in an effort to combat the growing risk of the so-called “carousel fraud” in these sectors (Law of 22 December 2023). Carousel fraud occurs mostly within a chain of participants where a recipient claims an input VAT refund for an amount of tax which has not actually been paid by the supplier to the tax authorities.

### II. Scope of the new rules

As from 1 January 2024, VAT liability is shifted to the customer for the following supplies of goods:

- ▶ mobile telephones;
- ▶ integrated circuit devices such as microprocessors and central processing units in a state prior to their integration into end-user products;
- ▶ game consoles, tablet PCs, laptops and headphones; and
- ▶ supplies of raw and semi-finished metals, including precious metals, where they are not covered by the margin regime for second-hand goods, works of art, collector's items and antiques or under the special scheme for investment gold.

To distinguish supplies of goods intended for final consumption and those for commercial purposes, the domestic reverse charge will apply only if the net sales amount of the relevant transaction exceeds EUR 10,000

(without taking into account any subsequent price reductions). As a result, if the net sales price is under EUR 10,000 the seller remains responsible for the VAT.

Furthermore, this new rule covers supplies made to customers that are taxable persons (Business-to-Business transactions).

### III. Key attention VAT points

It is important that businesses operating in the sectors affected by this new rule assess the potential VAT implications and take the necessary actions to ensure their compliance.

If the applicable threshold is exceeded and the domestic reverse charge is applicable, suppliers of these goods should ensure that the required references are made on the invoices issued to their customers.

Business receiving these goods should carefully check whether the correct VAT treatment has been applied on the incoming invoices. If the reverse charge is applicable, they should self-assess the output VAT charged on these supplies in their own Luxembourg VAT returns and at the same time claim a VAT refund for the same amount of input VAT.

### IV. How could BDO help you ?

Should you have any questions on the above or need assistance with charging VAT on these supplies, please feel free to contact our VAT experts.

## VAT NEWS

### INTERESTED?

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