



LE GOUVERNEMENT
DU GRAND-DUCHÉ DE LUXEMBOURG
Administration de l'enregistrement,
des domaines et de la TVA



VAT ON RESIDENTIAL PROPERTY

Possibility of applying
the 3% VAT rate

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01

INTRODUCTION AND DEFINITIONS

Legal basis

The amended Grand-Ducal Regulation of 30 July 2002 concerning the application of VAT for the use of a dwelling as a principal residence establishes the conditions and implementing rules relating to the application of the 3% VAT rate and VAT refunds.

Purpose of the tax benefit

In order to promote residential construction, the State applies the super-reduced VAT rate of 3% to the construction and renovation of a dwelling, provided that the dwelling is used as a principal residence.

Maximum amount

In accordance with Articles 9 and 11 of the aforementioned regulation, the maximum amount is €50,000 in VAT per dwelling.

Exception

Since 1 January 2015, the super-reduced VAT rate of 3%, or the VAT refund, in relation to construction works is only applicable if the newly created dwelling is used by the owner himself/herself as a principal residence.

Dwellings made available to third parties can no longer benefit from the 3% VAT rate, unless the works concern the renovation of such dwellings.

Definition of “dwelling”

A dwelling means a building (a single-family house) or part of a building which constitutes an individual unit (an apartment) and which can be used as a principal residence.

This includes parking spaces (garages), cellars and internal common areas.

Simultaneous use as a principal residence and for other purposes entitles the applicant to the VAT benefit provided that the area used as a principal residence represents more than three quarters of the total floor area of the dwelling.

If the area used as a principal residence represents less than three quarters of the total floor area, the VAT benefit is granted proportionally to that area.

Who is concerned?

The owner of a dwelling (a natural or legal person) who constructs or renovates a dwelling and uses it as a principal residence:

- by the owner himself/herself (a natural person) of the newly created or renovated dwelling;
- by a third party (a tenant) of the renovated dwelling.





The categories

The amended Grand-Ducal Regulation of 30 July 2002 provides for three categories.



1

Creation of a dwelling, more specifically:



> The construction of a new dwelling based on plans or under a sales agreement (notarial deed) for sale in its future completed state.



> The conversion for residential purposes (e.g. conversion of a barn into a dwelling or conversion of a single-family house into several dwellings).



> The extension of an existing dwelling (e.g. the construction of an extension to an existing dwelling).



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2

Renovation of a dwelling within 5 years of its acquisition

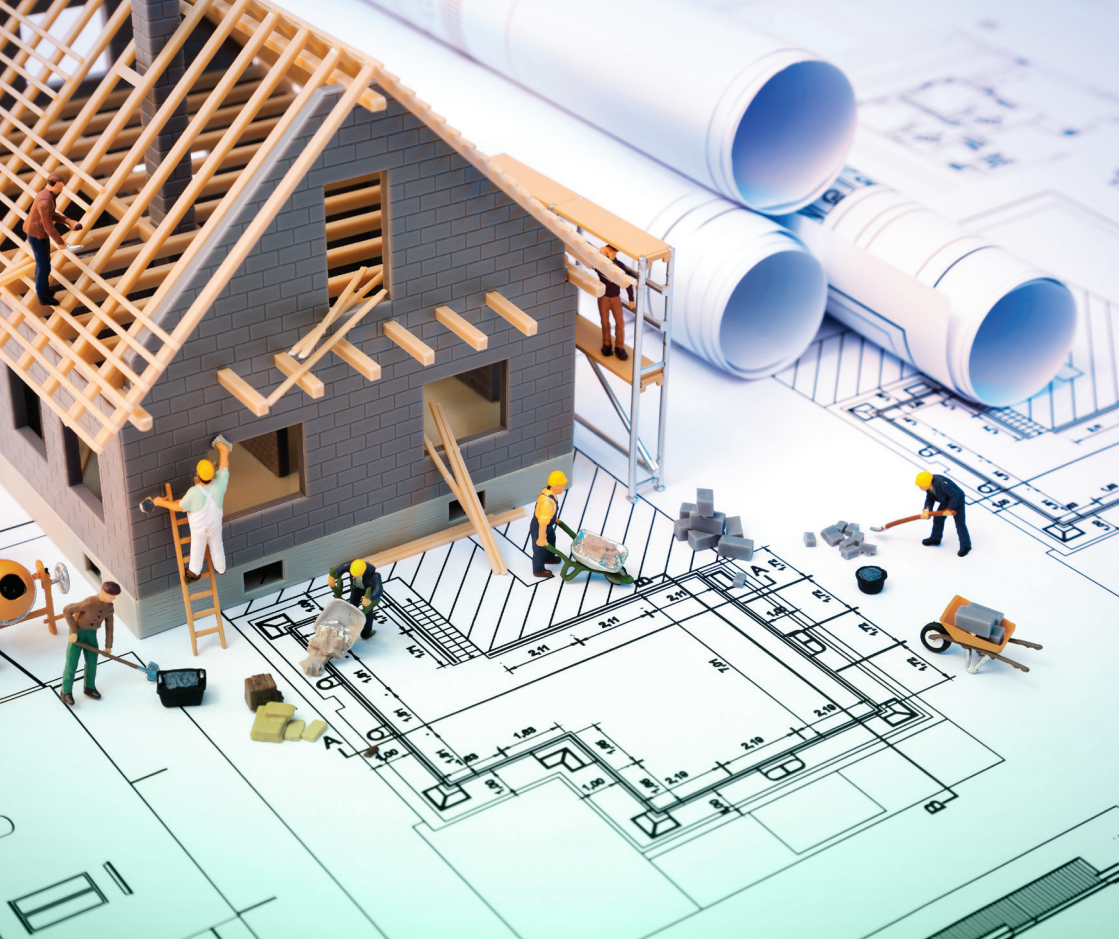
This applies regardless of the year in which the dwelling was constructed.



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3

Renovation of a dwelling that is at least 10 years old



ELIGIBLE WORKS

Construction, conversion and extension works carried out on a dwelling up to the stage of a **closed shell with finishing stage**.

The following works are included in the **closed shell with finishing stage** and may benefit from the super-reduced VAT rate:



- excavation works;
- load-bearing components contributing to the building's stability or solidity;
- elements contributing to the enclosure, coverage and watertightness of the structure, including screed;
- façades;
- plastering/rendering works;
- steps and ramps;
- ceilings and fixed partitions;
- portions of pipework, tubes, ducts and sheaths of all kinds lodged inside the walls, ceilings or floors, or contained in the mass of coating, as well as those buried in the ground and connecting the dwelling to public infrastructures;
- work to install flashing;
- lifts and goods lifts in apartment buildings and individual houses;
- structures and frames for doors, windows and glass partitions;
- sanitary equipment, excluding furniture and mirrors;
- doors, windows, glass partitions and conservatories;
- installation of heating systems, controlled ventilation systems and solar-thermal collectors;
- electrical installations;
- ironwork and locks in the building;
- all types of wall, floor and ceiling coverings;
- interior and exterior painting, including wallpapering.





NON-ELIGIBLE WORKS

You cannot benefit from the super-reduced VAT rate for:

- household equipment, including fitted kitchens, with the exception of heating stoves;
- internal carpentry and joinery other than stairs, ramps, doors and windowsills;
- special technical equipment (e.g. alarm systems, home automation installations, IT equipment, etc.);
- furnishing and landscaping of surrounding areas, with the exception of direct access routes to the dwelling and garage;
- notaries', architects' and consulting engineers' fees;
- air-conditioning systems and wellness devices;
- internal blinds and curtains;
- solar panels*;
- any other works not explicitly listed among the eligible works.

*The supply and installation of solar panels on private residential buildings are directly subject to the super-reduced VAT rate of 3%. They are no longer covered by the VAT Housing Scheme and are invoiced directly by the supplier at the super-reduced rate, without any prior application.

02

PROCEDURES :

A

APPLICATION FOR THE DIRECT APPLICATION OF 3% VAT

(PAGE 10)

B

APPLICATION FOR A VAT REFUND

(PAGE 13)



A

APPLICATION FOR THE DIRECT APPLICATION OF 3% VAT

This application is intended for future construction and renovation works. The owner commissions a company (supplier) to carry out the planned works in accordance with the quotation.

The quotation must amount to at least €3,000 excluding VAT.

Who applies for the direct application of the 3% VAT rate?

- The supplier together with the owner.

What information is required?

- Information concerning the supplier (name, company name, VAT number);
- Information concerning the owner (surname, first name, identification number, official address);
- Information concerning the dwelling (cadastral designation, address);
- Information concerning the use of the dwelling (who uses the dwelling).

What must the application include?

- A description of the works, including the estimated costs;
- A complete copy of the quotation;
- A complete copy of the notarial deed (sale, sale in its future completed state) in the case of a new construction;
- The declaration of information and commitment, if the dwelling to be renovated is not occupied by a tenant at the time of application.

How is the application submitted?

- Through the dedicated online procedure on Guichet.lu, via the supplier's professional area;
- By post to the address indicated on the application form;
- By submitting it at the counter (Luxembourg Guichet Unique).

Afterwards:

- The supplier and the owner receive the decision (approval) by post;
- The supplier issues invoices for the approved works applying 3% VAT.

Deadline

- The application must be submitted before the start of the works.



A

How is the application submitted via the procedure on Guichet.lu?

Requirement

The supplier must have or create a professional area on Guichet.lu.

Online assistance for creating this area is available on Guichet.lu.

Mandate

The owner must give his/her consent to the electronic submission of the application by completing and signing the relevant mandate and providing it to the supplier.

The owner can complete, sign and create the mandate himself/herself in the private area on Guichet.lu, or the supplier can provide the mandate to the owner.

Afterwards

The procedure is initiated and submitted by the supplier through the supplier's professional area on Guichet.lu.

The decision (approval) is sent by post to the owner and the supplier.



Guichet.lu

B

APPLICATION FOR A VAT REFUND

This application is intended for completed works that have been invoiced at the standard VAT rate.

The application may also be submitted for material costs relating to works carried out by the owner himself/herself, without commissioning a supplier.

The application is submitted after completion of the works.

Several invoices from different suppliers may be attached to the application. The total amount of all invoices must reach a minimum of €3,000 excluding VAT.

Each individual invoice must amount to at least €1,250 excluding VAT.

Who applies for the refund?

- The owner.

What information is required?

- Information concerning the owner (surname, first name, identification number, official address);
- RIB;
- Information concerning the dwelling (cadastral designation, address);
- Information concerning the use of the dwelling (who uses the dwelling).

What must the application include?

- The list of invoices;
- The original, detailed invoices;
- Detailed quotations, if the invoices are not sufficiently detailed;
- Bank payment confirmations relating to the invoices;
- An integral copy of the notarial deed (sale, sale in its future completed state in the case of the acquisition of a new dwelling).

How is the application submitted?

- Through the dedicated online procedure on **Guichet.lu**, via the owner's private area;
- By post to the address indicated on the application form;
- By submitting it at the counter (Luxembourg Guichet Unique).

Afterwards:

- The owner receives the decision concerning the refund by post;
- The administration refunds the excess VAT paid to the bank account indicated.

Deadlines

- The application must cover a minimum period of **6 months** (the period between two applications for a VAT refund must be at least 6 months);
- The right to a refund expires **5 years after 31 December of the calendar year to which the VAT to be refunded relates** (the invoices remain valid for five years).



B

How is the application submitted via the procedure on Guichet.lu?

Requirement

The owner must have or create a private area on Guichet.lu. A tutorial for creating this area is available on Guichet.lu.

Afterwards

The procedure is initiated and submitted electronically by the owner through his/her private area on Guichet.lu.

The decision concerning the refund is sent to the owner by post, and the administration refunds the excess VAT paid to the bank account indicated.



Guichet.lu

The VAT benefit must be repaid in full if the dwelling concerned no longer meets the conditions laid down by the Grand-Ducal Regulation during the minimum period of use.

An adjustment is required if:

- the dwelling is not used as a principal residence within **2 years** of completion of the works;
- the dwelling is used for purposes other than as a principal residence during the minimum period of use;
- the required 2-year period of use is not complied with;
- the VAT benefit was obtained through fraudulent information and/or applications.

The amount to be adjusted is calculated as the difference between the standard VAT rate and the super-reduced VAT rate of 3% applied to the invoices and refunded amounts.

The adjustment amount is also subject to the statutory interest rates applicable during the relevant invoicing periods.

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