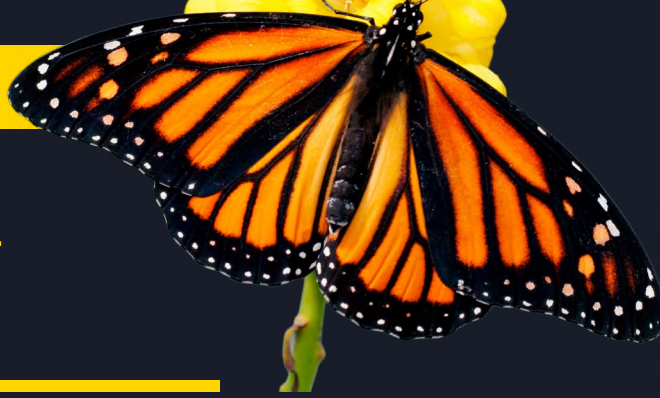




LUXEMBOURG SAF-T FOR VAT AND DIRECT TAX PURPOSES

UNDERSTANDING FAIA REQUIREMENTS IN LUXEMBOURG

Under Luxembourg VAT law, businesses are obligated to provide a Standard Audit File for Tax (SAF-T), commonly referred to as FAIA, upon request by the tax authorities.

The Luxembourg VAT administration has adopted a more rigorous enforcement approach, leading to a notable increase in the application of penalties. These penalties can reach up to EUR 10,000 per infraction, and in some exceptional cases, up to EUR 25,000 per day. Furthermore, deadlines to provide a compliant file have recently been shortened drastically, making it essential for the business to anticipate FAIA requests from the VAT authorities and be ready to provide a compliant FAIA file within short notice.

Importantly, although Bill 8186B remains under parliamentary review, there is a significant possibility that SAF-T requirements will expand beyond VAT to encompass direct tax obligations. This potential change underscores the need for businesses to prepare for broader compliance requirements, making adherence to SAF-T obligations even more critical in the near future.

COMPLIANCE RISKS AND CONSEQUENCES

Failing to meet FAIA requirements can result in:

- Delays in audits and VAT reimbursements
- Heightened risk of tax reassessments
- Financial penalties under the stricter enforcement regime

WHO IS SUBJECT TO FAIA?

FAIA applies to entities that meet all the following conditions:

- Registered for VAT in Luxembourg
- Use Luxembourg's standard chart of accounts (PCN)
- Exercise a full or partial input VAT deduction right
- Turnover exceeds EUR 112.000,00 per calendar year

WHAT DATA MUST BE INCLUDED?

The FAIA file must reflect the data recorded in the entity's accounting system for the calendar year (1 January - 31 December). It should include:

- Header - Information on reporting entity and selection criteria for generation
- Master Files - Fixed data such as customers, suppliers, products, tax codes etc.
- General Ledger Entries - Full GL extracts from journal to line level
- Source Documents - Underlying documents for GL transactions such as invoices, payments, dispatch note etc.

STEPS TO ENSURE COMPLIANCE

To proactively comply with FAIA requirements, we recommend the following steps:

- Confirm Applicability - Identify Luxembourg VAT-registered entities and review whether they meet the 500-transaction threshold
- Assess Extraction Capability - Determine if your system can extract the required data automatically. If not, explore automation solutions
- Generate and Validate - Use specialized tools to create and validate FAIA files that fully meet content and technical standards

LOOKING AHEAD - POTENTIAL EXTENSION OF SAF-T OBLIGATIONS TO DIRECT TAX REPORTING

Ongoing discussions around Bill 8186B suggest that FAIA obligations may soon extend beyond VAT to include direct tax reporting. While no changes are confirmed yet, this legislative shift is expected to be debated in 2025. Businesses should start evaluating how these potential developments might affect their compliance frameworks.

OUR FAIA SUPPORT SERVICES

We provide end-to-end assistance tailored to your situation:

- Structured Excel templates to assist with data collection
- Conversion of XML FAIA files into Excel for easier review
- Review and validation of both internally and externally generated files
- Practical training for teams on FAIA regulations and system implementation

HOW TO MAXIMIZE THE BENEFITS

Having created a FAIA file, businesses should then consider how to maximize the benefit. Due to FAIA file's standard structure, these can be used for the following:

- Automate VAT compliance
- Utilize VAT Analytics to identify potential risks and opportunities
- Automate regulatory reporting

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