

Obligation to use SAF-T for VAT in Luxembourg

The OECD has defined a standard audit file format (Standard Audit File for Tax (SAF-T) for tax audits and a standard set of tests to be performed during an audit. Many OECD countries are considering the feasibility of implementing SAF-T and some have already begun. There will be some variation in how each country implements SAF-T, such as the scope of data, file format, whether it is mandatory or not, and which tax payers are in scope. However, companies in each jurisdiction will face a common set of challenges:

- How to extract and populate a SAF-T file from their systems,
- How to verify that all requirements are met in terms of structure and format,
- How to ensure that the file content is VAT-compliant before submitting it to the tax authorities

Luxembourg is one of the countries which have implemented the SAF-T. In Luxembourg, SAF-T is referred to as FAIA (Fichier Audit Informatisé Administration de l'enregistrement et des domaines).



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Entry into force of FAIA

In principle, the VAT authorities can request a FAIA compliant file for the taxable years starting 2011. Every VAT inspector has the discretion to demand the file at the occasion of an audit.

Companies in the scope of FAIA

The scope of FAIA is limited to businesses that are in principle subject to the Luxembourg SCA (Standard Chart of Accounts).

Companies in the scope of SCA

Are in the scope of SCA:

- Corporate entities with limited liabilities (S.A., S.à r.l., S.C.A., S.Coop, S.E.),
- Individual business owners, General Corporate Partnerships (S.N.C) and Limited Corporate Partnerships (S.C.S.) insofar as their annual turnover exclusive of VAT is in excess of EUR100,000, and
- Branches and establishments set up in Luxembourg by business undertakings governed by foreign law.

It should be noted that although the scope of SCA is wide, there are some exceptions. Most notably the following businesses are not subject to the SCA:

- Entities subject to the supervision of a supervisory body (CSSF and C.A.A.), such as banks, credit institutions and insurance and reinsurance companies,
- Companies publishing statutory accounts according to IFRS or benefiting from a derogation as per Article 27 of the Accountancy Law of 19 December 2002¹.

¹ Derogation relating to the possibility to use another accounting framework or to be exempt from the SCA.

Companies in the scope of SCA but outside the scope of FAIA

Businesses in the scope of SCA but listed below are relieved to meet the FAIA obligation:

- Taxable persons with simplified VAT compliance obligations,
- Taxable persons with a turnover not exceeding EUR 112,000 per calendar year,
- Taxable persons with a limited (reasonable) amount of yearly accounting transactions. In this respect, an indicative threshold of +/- 500 transactions applies. The rationale for this exception is that it is more sensible and efficient for the VAT Authorities to carry out manual controls in such cases rather than electronic audits.

Format of the FAIA files

The FAIA file in principle comes in an XML format.

The AED however also accepts other file formats (such as XBRL or DBF), under the express condition that these files are structured, easily legible and contain all fields and data required.

Content of the FAIA file

The FAIA file covers the records that the company keeps electronically and that are directly or indirectly relevant to verify the correctness of the VAT reporting. The obligatory and facultative fields of the FAIA file are based on the OECD's SAF-T version 2.0. available on the website of the authorities.

Penalties for non-compliance

Penalties can be imposed either on a lump sum basis (up to EUR 5,000 per infraction) or as daily penalties ranging from EUR 50 to EUR 1,000. Any type of maneuvers implemented in order to avoid the payment of the VAT (or which seeks fraudulent or irregular VAT recovery) may attract an additional 10% penalty.

How can PwC help?

- Reconcile the FAIA file with the VAT declaration and investigate gaps,
- Simulate a VAT audit by using our FAIA Assessment Tool:
 - Validate the format and data quality of the FAIA file (i.e. compliance with XSD requirements, Seq. invoice number, cut-off, etc.);
 - Validate the content, consistency and VAT-compliance of the FAIA file (i.e. reconciliation of accounting and billing, discount, VAT code, etc.);
- Provide On demand VAT expertise and evaluate VAT optimisation;*
- For internally developed solutions, provide assistance to generate the FAIA file,
- For external solutions, define and implement an efficient reporting solution,
- Project management (structured approach);
- Perform a data mapping between the Information System and the FAIA using our fit-for-use data mapping template,
- Identify the best extraction and consolidation strategy from the different financial and operational systems,
- Reviewing the company's internal control processes relating to accounting,
- Assessing the impact of the new requirements from an accounting and VAT standpoint,
- Reviewing the company's IT environment and data available in the systems with regard to the data requested,
- Reviewing the way in which transactions are booked from a VAT standpoint.

Useful links:

<http://www.aed.public.lu/FAIA>

<http://www.pwc.lu/en/vat/faia.jhtml>

For more information, please contact our helpdesk at FAIA.helpdesk@lu.pwc.com

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