



**STRUCTURED COLLECTIONS,
FAMILY OFFICES, FOUNDATIONS,
TRUSTS, MUSEUMS**
TAXABLE PERSONS



T A X A B L E P E R S O N S

**HANDLING VAT
at LE FREEPORT**

About the authors of this booklet

FINE ART LOGISTICS NATURAL LE COULTRE

The Natural Le Coultre group of companies, with its more than 150 years of experience in storage and shipping, is present in Luxembourg through its affiliate Fine Art Logistics Natural Le Coultre, licensed operator at LE FREEPORT | Luxembourg. Natural Le Coultre, established in Geneva, Singapore and Luxembourg, specializes for over 30 years in shipping and storage of works of art. Our clients benefit from bespoke services that adapt to any type and size of collection.

In Luxembourg, our clients' works of art and high value objects are stored at LE FREEPORT | Luxembourg in one of its highly secured storage spaces with ideal conditions for conservation. LE FREEPORT | Luxembourg is the first free zone in the European Union to be dedicated to high value objects and enables our clients to benefit from its specific fiscal advantages.

VAT SOLUTIONS

VAT Solutions S.à r.l., an independent company established in Luxembourg since 2011, is a specialized consultancy for indirect taxation (VAT, customs and excise duties).

VAT Solutions has a proven track record with a wealth of experience gained through previous activities for Big 4 consulting companies as well as for prominent industrial and logistics companies in Luxembourg and France. Its many clients benefit from the company's know-how both in Luxembourg and the European Union. VAT Solutions' personalized approach provides for a perfect and secured management of VAT processing in their clients' companies. In context of this booklet VAT Solutions is since 2013 a consultant on the risks and opportunities in the area of VAT at the Luxembourg FREEPORT and on the unique aspects of VAT in the art world. VAT Solutions also provides training on Customs and VAT topics for MBA and Master's Degrees in highly ranked business schools in France.

If you are a structured collection, a family office, a foundation, a trust or a museum, then this booklet is for you.

The following explanations will provide you with all the necessary information to benefit as much as possible from the VAT advantages provided by the FREEPORT.

This location is first and foremost a highly secured storage area. It also enables you to sell goods under suspension of VAT and to benefit from the advantages of using Luxembourg's lower VAT rate.

Which types of goods can I store at the FREEPORT ?

LE FREEPORT was designed specifically for the storage of works of art, classic and collectible cars, fine wines and precious metals and provides ideal conservation and storage conditions. Please contact your licensed operator if you would like to store other types of valuable goods.

What is a licensed operator?

A licensed operator is a company that specializes in logistic services for art and high value objects and that has obtained a license to operate in the free zone by Luxemburg's Customs and Excise Administration. This license has a unique number formatted as LU/NNZF/xxx. You can request this number from your licensed operator as well as proof of their status of licensed operator.



Any movement at the FREEPORT, i.e. inbound, outbound and any handling can only be performed by a licensed operator.

In order for any subcontractor (for example a conservator-restorer) to suspend VAT on their services rendered inside the FREEPORT a licensed operator needs to act as intermediary.

Which documents do I have to provide to the licensed operator?

The licensed operator Fine Art Logistics Natural Le Coultre and the management company of the FREEPORT hold all users of the FREEPORT to the same principles of traceability, security and transparency. **To this end, the licensed operator must properly identify his clients and will provide you at the start of the business relationship with a number of documents detailing the information to be provided, most importantly on the owner(s) of the goods to be stored. The depositor and, if applicable, the owner of the goods need to provide any documentation to prove that they are a taxable person.**

During the course of the business relationship and for all movements or any transaction of goods stored or to be stored in the FREEPORT, the licensed operator will request from you any necessary documentation (invoices, cultural goods permits, etc.). You must provide the requested documents as soon as possible to enable the licensed operator to inform the Customs officials present at the FREEPORT in a timely manner.

If you need to submit any information on a commercial transaction to Luxembourg's VAT administration, your licensed operator can act as your fiscal representative if you are not established in Luxembourg and do not have a local VAT number. You will be asked to sign a mandate specific to each transaction so they can act on your behalf.

Can you explain the «suspension» and «settling» of VAT ?

Suspension of VAT is a temporary exemption of VAT: the payment of VAT that would be normally due is temporarily suspended and has to be settled when an object leaves the FREEPORT.

Removing goods from the FREEPORT requires settling VAT on any previous transactions that have benefited from a suspension of VAT, except when exporting outside the EU or for a sale that does not use the margin scheme. In order to settle VAT, the licensed operator draws up a list of all services having benefited from a suspension of VAT. This VAT is settled by submitting a VAT return to Luxembourg's VAT administration and can be partially or completely offset with VAT paid to suppliers. Your licensed operator can act as fiscal representative and submit the return on your behalf if you are not established in Luxembourg and do not have a local VAT number. You will be asked to sign a mandate specific to each transaction so they can act on your behalf.

Your licensed operator Fine Art Logistics Natural Le Coultre will assist you with the formalities to settle VAT.

Are the services provided at the FREEPORT invoiced including VAT?

If you are established in Luxembourg, any services provided upon arrival at the FREEPORT as well as during the storage period of the object at the FREEPORT benefit, without any possible exception, from a suspension of VAT. No VAT will be due on the value of the object when it is exported outside the EU or when it is sold, unless you want to apply the margin scheme.

If you are established outside of Luxembourg, the provided services will be invoices without VAT because they are taxable outside of Luxembourg. The only exception is the storage charges for private rooms which benefit from a suspension of VAT. No VAT will be due in case of an exportation or future sale, unless you want to apply the margin scheme.

I bought a non-Union object to be stored at the FREEPORT

Non-Union goods are goods that have not been permanently imported into the European Union. These can be objects bought outside of the EU or objects that are in the EU and benefit from a temporary admission. These objects are commonly qualified as «in transit».

Non-Union objects benefit from a suspension of VAT and duties when stored at the FREEPORT for an unlimited period of time. They can however leave the FREEPORT and remain in a suspensive regime. This requires a specific customs formality to be discussed with and implemented through your licensed operator.

Before any purchase, we recommend you contact your licensed operator to discuss and confirm any options for this specific purchase.



I bought Union goods to be stored at the FREEPORT

Union goods keep the advantage of free circulation even when stored at the FREEPORT and are subject to any applicable European VAT rules. **The transfer to the FREEPORT is not equivalent to exporting outside the EU and does not enable a seller to invoice you without VAT:**

- > Buying goods under the margin scheme is not considered to be an intra-EU supply in Luxembourg. For these transfers you do not have to submit a VAT return in Luxembourg.
- > Buying goods under the normal VAT scheme is considered to be a zero-rated intra-EU supply and has to be reported to the tax authority. Your licensed operator can act as fiscal representative so the seller can apply the reverse-charge mechanism and submit the return on your behalf if you are not established in Luxembourg and do not have a local VAT number.
- > Objects bought in Luxembourg or objects from any other country that have been transferred to the FREEPORT before the sale can benefit from a suspension of VAT.

If you need to submit any information on a commercial transaction to Luxembourg's VAT administration, your licensed operator can act as your fiscal representative if you are not established in Luxembourg and do not have a local VAT number. You will be asked to sign a mandate specific to each transaction so they can act on your behalf.

Before any purchase, we recommend you contact your licensed operator to discuss and confirm any options for this specific purchase.

What is the procedure to store objects you already own at the FREEPORT?

Your licensed operator will inform you of the documents that you must provide and assist you in organizing the transport as well as any customs formalities to enter the objects into the FREEPORT.

The transfer of non-Union goods to the FREEPORT does not require you to perform any additional formalities.

Transferring goods eligible for the margin scheme is not considered to be an intra-EU supply in Luxembourg. For these transfers you do not have to submit a VAT return in Luxembourg.

The transfer of other Unions goods is handled like any other zero-rated intra-EU supply. Your licensed operator can act as fiscal representative and submit the return on your behalf if you are not established in Luxembourg and do not have a local VAT number.

How do you handle a sale of an object stored at the FREEPORT?

The suspension of VAT is only possible when the item to be sold remains in the FREEPORT after the sale.

There are no specific procedures to be followed before the sale of a non-Union object. You don't need to settle any suspended VAT related to the services provided for the object to be sold.

If you sell an object under the normal VAT scheme, you can suspend the VAT on this sale without any restrictions. You do not need to settle any suspended VAT related to transactions that happened before the sale.

If you sell Union goods under the margin scheme, you can choose between two options:

- > You suspend VAT on your sale:
You need to provide your licensed operator with all the commercial documents that are required to determine the margin and to calculate the amount of VAT that is suspended. The VAT on the margin as well as on the services invoiced under suspension of VAT before the sale will be settled by the new owner when the item you sold leaves the FREEPORT.
- > You sell without suspension of VAT:
In this case the licensed operator needs to virtually remove the object from his inventory in order to settle the suspended VAT for any previous transactions. For taxation purposes the sale will therefore be considered to have taken place outside the FREEPORT. The seller has to report and pay any VAT due on the margin in Luxembourg, either himself or through a fiscal representative if the seller is not established in Luxembourg and has no local VAT number. The item is entered into the licensed operator's inventory under the new owner's name. This administrative procedure needs to be performed for fiscal reasons. During the procedure the physical object that is being sold can remain in storage at the FREEPORT.

In each case your licensed operator will provide you with the wording to be put on your sales invoice.

How do you remove an object you own from the FREEPORT?

You need to inform your licensed operator as soon as possible so they can organize the departure according to your requirements and schedule. They will assist you with the organization of the transport as well as any customs formalities.

Non-Union goods can leave the FREEPORT under a special customs regime to preserve the suspension of VAT and duties on the object and on any services. You can also opt to permanently import the object in order to benefit from the advantages of free circulation inside the European Union.

Removing Union goods eligible for the margin scheme from the FREEPORT does not require you to submit a VAT return in Luxembourg. Any suspended VAT related to the storage in a private storage room needs to be settled by following the procedure described above.

Removing Union goods from the FREEPORT that are not eligible for the margin scheme is equivalent to a zero-rated intra-EU supply and you will need to submit a VAT return, except for temporary transfers. Your licensed operator can act as fiscal representative and submit the return on your behalf if you are not established in Luxembourg and do not have a local VAT number. A definitive transfer does not require settling VAT on any previous transactions that have benefited from a suspension of VAT. For temporary transfers any suspended VAT related to previous transactions needs to be settled by following the procedure described above.

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If you require further information on any of the elements discussed in this booklet, our prices or have any other question regarding the services provided at the FREEPORT, please contact Fine Art Logistics Natural Le Coultre or VAT Solutions



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