Common system of value added tax: special scheme for small enterprises

2018/0006(CNS) - 11/09/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 618 votes to 40, with 24 abstentions, following Parliament's consultation procedure, a legislative resolution on the proposal for a Council directive amending Directive 2006/112/EC on the common system of value added tax as regards the special scheme for small enterprises.

The European Parliament approved the Commission proposal subject to the following amendments:

Reducing VAT costs for small businesses (SMEs): the provisions of Council Directive 2006/112/EC that allow Member States to continue to apply their special schemes to small businesses are obsolete and do not meet their objective of reducing the compliance burden for small businesses.

The amendments highlight that small businesses in the Union are **particularly active in certain cross-border sectors**, such as construction, communications, catering services and retail trade, and can therefore be an important source of employment. The achievement of the objectives of the VAT Action Plan therefore requires a **review** of the special scheme for small businesses.

VAT exemption threshold: the proposal provides for a transitional period for small businesses benefiting from the exemption whose turnover exceeds the franchise threshold in a given year. Members propose that these enterprises should be allowed to continue to benefit from the exemption for two more years (instead of one year), provided that their annual turnover does not exceed the SME threshold by more than 33% during these two years (instead of 50% in the proposal).

In order to facilitate cross-border business, the list of national thresholds for exemption should be easily accessible to all small enterprises willing to operate in several Member States.

Administrative simplification for SMEs: in order to reduce the compliance burden for small businesses, it is proposed that the Commission:

- set up an **online portal** through which small enterprises willing to avail themselves of the exemption in another Member State shall register;
- put in place a **one-stop shop** through which small enterprises can file VAT returns of the different Member States in which they are operating. The Member State of establishment shall be responsible for VAT collection.

Member States shall also ensure that they have sufficient knowledge of the status of small enterprises and of their shareholding or ownership relationships, so as to be able to confirm their status as small enterprises. **The VAT information exchange system** (VIES) shall specify whether or not eligible small enterprises avail themselves of the VAT exemption for small enterprises.

Annual VAT return: Member States shall release **exempt** small enterprises from the obligation to submit a VAT return or they shall allow such exempt small enterprises to submit a simplified VAT return – which includes at least the following information: chargeable VAT, deductible VAT, net VAT amount (payable or receivable), total value of input transactions and total value of output transactions – to cover the period of a calendar year.

Entry into force: Members consider that VAT simplification measures for SMEs could be implemented more quickly than the definitive VAT system. They propose to bring forward the date of implementation of the proposal to **31 December 2019** (instead of 30 June 2022).