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**VAT Expert Group
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VAT EXPERT GROUP¹

VEG No 112

Special Scheme for Small Enterprises Members' suggestions of topics to be covered in the SME Explanatory Notes

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¹ Group of experts on value added tax to advise the Commission on the preparation of legislative acts and other policy initiatives in the field of VAT and to provide insight concerning the practical implementation of legislative acts and other EU policy initiatives in that field.

1. INTRODUCTION

Following a request for suggestions on topics to be included in the Explanatory Notes on the Special Scheme for Small Enterprises, the Commission services received some submissions from VEG members. The suggestions received are being analysed carefully and a significant number of them will be taken into account and reflected in the next version of the VAT Explanatory Notes.

In addition, the Commission services also received some detailed comments on the draft.

The Commission services would like to thank VEG members for their comments and contributions. VEG members will be consulted again in the coming months on an updated version of the draft of the Explanatory Notes on the Special Scheme for Small Enterprises.

2. THE EXPLANATORY NOTES ON THE SPECIAL SCHEME FOR SMALL ENTERPRISES

As a general comment, the Commission services would like to note that these Explanatory Notes deal with the rules introduced by Council Directive (EU) 2020/285 and by Commission Implementing Regulation (EU) 2021/2007.

Next to the VAT Explanatory Notes, a Guide on the SME scheme is under preparation including relevant information on the registration of small enterprises, as well as on the submission of quarterly reports, and the VAT consequences and obligations from leaving the SME scheme.

3. THE COMMENTS RECEIVED

The main suggestions for additional topics to be covered in the Explanatory Notes are summarised in **Annex 1**.

A summary of other comments received can be found in **Annex 2**.

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**Summary of suggestions for additional topics
to be included in the Explanatory Notes**

The suggestions for topics to be covered in additional sections of the Explanatory Notes can be summarised as follows:

1. Correction of the quarterly reports.
2. A taxable person's right to deduct input VAT in cases where the SME scheme is applied in some Member States and the standard VAT regime is applied in other Member States.
3. Invoicing rules and obligations under the SME scheme.
4. Compatibility of the SME scheme with other VAT special schemes foreseen in the VAT Directive. In particular, interaction between the Special Scheme for Small Enterprises (SME) and the One-Stop-Shop (OSS).

Summary of the other comments received

The other comments received can be summarised as follows:

1. EDITORIAL COMMENTS

- Add references to the relevant Articles of the VAT Directive.
- Further adapt language for non-experts in VAT.

2. COMMENTS/REQUESTS FOR CLARIFICATION/EXPLANATION

- Clarification of the concept of establishment and fixed establishment in the context of the SME scheme.
- Clarification on whether small enterprises established in non-EU countries can apply the SME scheme if they have a fixed establishment within the EU.
- Clarification on thresholds for different business sectors.
- Clarifications on advantages and disadvantages of the standard VAT regime and the SME scheme respectively.
- Explanation of the various components of the annual turnover of Article 288 of the VAT Directive.
- Explanation of components excluded from the calculation of the annual turnover, in particular when it comes to disposal of tangible or intangible capital assets.
- Explanation of the meaning of occasional transactions in the context of the SME scheme.
- Clarification of the transactions covered and those not covered by the VAT exemption under the SME scheme.
- Explanation on the interaction between the threshold for the SME scheme and the threshold for distance selling of goods.
- Clarification of the interaction between the quarterly report and the annual report of Article 292c of the VAT Directive.
- Clarification of the compliance obligations in cases where a taxable person applies the VAT standard regime in its Member State of establishment and the SME scheme in other Member States.
- Explanation through examples of the VAT compliance obligations of a taxable person who leaves the SME scheme.
- Explanation through examples of the timing aspect related to the “preceding and current year” and its VAT consequences.
