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GROUP ON THE FUTURE OF VAT

GFV No 131

**Special scheme for Small Enterprises
Member States' suggestions of topics to be covered in the
SME Explanatory Notes**

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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 Member States' experts. 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 Member States' experts for their comments and contributions. Delegates 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. 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**.

The comments made by business experts are summarised in document VEG No 112¹.

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¹ Available on the [Public Documents Repository](#)

**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. Interaction between the Special Scheme for Small Enterprises (SME) and the One-Stop-Shop (OSS).
5. Interaction between the SME scheme and the standard VAT regime.

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.
- Align the wording to the terminology used in the VAT Directive.

2. COMMENTS/REQUESTS FOR CLARIFICATION/EXPLANATION

- Clarification of the concept of establishment and fixed establishment in the context of the SME scheme.
- Clarification on thresholds for different business sectors.
- Clarification on the transactions to be included in the quarterly report and those to be taken into account to estimate the annual turnover of Article 288 of the VAT Directive.
- Explanation through examples of the relationship between the Union annual turnover and the Member States' national annual turnover.
- Clarification of the transactions covered and those not covered by the VAT exemption under the SME scheme.
- 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.
- Amendment of the examples to include the timing aspect related to the “preceding and current year”.
- Correction and simplification of some examples.
- Clarifications on which Member State(s) the taxable person should communicate with for the procedures related to the registration, appeals, etc.
- Clarification on the calendar to be used to calculate working days: MSEST or MSEXE?
- Explanation through examples of the situation where a taxable person who fails to submit quarterly reports may be liable to submit VAT returns without being deprived from the right to apply the VAT exemption under the SME scheme.
