










Procedure file

Basic information	
CNS - Consultation procedure Directive	2018/0006(CNS) Awaiting final decision
Common system of value added tax: special scheme for small enterprises Amending Directive 2006/112/EC 2004/0079(CNS)	
Subject 2.70.02 Indirect taxation, VAT, excise duties 3.45.02 Small and medium-sized enterprises (SME), craft industries	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	 Economic and Monetary Affairs	 VANDENKENDELAERE Tom	23/01/2018
		Shadow rapporteur	
		 SANT Alfred	
		 OŹÓG Stanisław	
		 NAGTEGAAL Caroline	
	 LÓPEZ BERMEJO Paloma		
	 SCOTT CATO Molly		
Council of the European Union European Commission	Committee for opinion	Rapporteur for opinion	Appointed
	 Internal Market and Consumer Protection	The committee decided not to give an opinion.	
	 Legal Affairs	The committee decided not to give an opinion.	
	Commission DG Taxation and Customs Union	Commissioner MOSCOVICI Pierre	

Key events			
18/01/2018	Legislative proposal published	COM(2018)0021	Summary
08/02/2018	Committee referral announced in Parliament, 1st reading/single reading		
11/07/2018	Vote in committee, 1st reading/single reading		
16/07/2018	Committee report tabled for plenary, 1st reading/single reading	A8-0260/2018	Summary
11/09/2018	Results of vote in Parliament		



11/09/2018	Decision by Parliament, 1st reading/single reading	T8-0319/2018	Summary
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Technical information	
Procedure reference	2018/0006(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Directive
	Amending Directive 2006/112/EC 2004/0079(CNS)
Legal basis	Treaty on the Functioning of the EU TFEU 113
Modified legal basis	Rules of Procedure EP 150
Stage reached in procedure	Awaiting final decision
Committee dossier	ECON/8/12096

Documentation gateway					
Legislative proposal		COM(2018)0021	18/01/2018	EC	Summary
Document attached to the procedure		SWD(2018)0009	18/01/2018	EC	
Document attached to the procedure		SWD(2018)0011	18/01/2018	EC	
Committee draft report		PE621.115	17/05/2018	EP	
Amendments tabled in committee		PE623.645	06/06/2018	EP	
Committee report tabled for plenary, 1st reading/single reading		A8-0260/2018	16/07/2018	EP	Summary
Text adopted by Parliament, 1st reading/single reading		T8-0319/2018	11/09/2018	EP	Summary
Commission response to text adopted in plenary		SP(2018)724	13/11/2018		

Additional information	
Research document	Briefing

2018/0006(CNS) - 18/01/2018 Legislative proposal

PURPOSE: to amend the current VAT rules with a view to reducing VAT costs for small businesses (SMEs).

PROPOSED ACT: Council Directive.

ROLE OF THE EUROPEAN PARLIAMENT: the Council adopts the act after consulting the European Parliament but without being obliged to follow the opinion of the European Parliament.

BACKGROUND: small businesses (SMEs) face proportionately higher VAT compliance costs than larger businesses. The VAT Directive ([Council Directive 2006/112/EC](#)) therefore lays down a number of provisions aimed at reducing the burden on SMEs dealing with VAT matters. In particular, it allows Member States to grant a VAT exemption to small businesses provided that they do not exceed a certain annual turnover, which varies from one country to another.

Despite the fact that Member States may exempt SMEs from VAT an option that is widely used SMEs continue to suffer from disproportionate VAT compliance costs due to how the SME exemption is designed. In particular, SMEs involved in cross-border trade cannot benefit from the SME exemption in Member States other than the one in which they are established

The current system has distortive effects on competition on both domestic and EU markets. This issue is set to worsen with the shift towards destination-based taxation under the proposed definitive VAT system; many SMEs may have to charge their customers VAT that differs from

that of the Member State in which they are established.

As a follow-up to the 2016 [VAT Action Plan](#), this review aims to create a modern, simplified SME scheme by reducing VAT compliance costs for SMEs both domestically and at EU level and reducing distortions of competition both domestically and at EU level.

IMPACT ASSESSMENT: the impact assessment for the proposal was considered by the Regulatory Scrutiny Board on 13 September 2017. The Board issued a positive opinion on the proposal together with some recommendations, which have been taken into account. The Commission considers that compliance costs for SMEs are expected to be reduced by 18 % under this initiative compared to the baseline scenario outlined in the impact assessment (EUR 56.1 billion per year, compared to EUR 68 billion per year at present). Cross-border trading activities by SMEs within the EU are also expected to increase by 13.5 %. It should also have a positive impact on both voluntary compliance and on business competitiveness.

CONTENT: the main provisions of the proposed amendment to the VAT Directive are as follows:

- define various concepts necessary for applying the provisions of the special scheme: the definition of "small enterprises" would cover all enterprises whose Union annual turnover in the single market is no higher than EUR 2 million;
- the possibility for Member States that decide to implement the SME exemption to set their threshold at the level that best reflects to their particular economic and legal context. The exemption will be available to all EU eligible businesses, whether or not established in the Member State where they carry out supplies subject to VAT;
- for any small enterprise able to avail itself of the exemption in a Member State where it is not established, two conditions must be met: (i) the enterprises annual turnover in that Member State should be below the exemption threshold applicable there; and (ii) its overall turnover in the single market (Union annual turnover) should not be higher than EUR 100 000;
- introducing a transition period for small enterprises making use of the SME exemption whose turnover exceeds the exemption threshold in a given year;
- define a set of simplified VAT obligations for non-exempt small enterprises. Such a set should include simplified registration, simplified record keeping and longer tax periods, which would result in less frequent filing of VAT returns. Non-exempt small enterprises should also be able to opt for the application of normal tax periods.

The amendments will only take effect once the definitive VAT system has been introduced.

2018/0006(CNS) - 16/07/2018 Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted, following Parliament's consultation procedure, the report by Tom VANDENKENDELAERE (EPP, BE) 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 committee recommends that the European Parliament approve the Commission proposal subject to the following amendments:

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: Members propose 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.

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.

Lastly, 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).

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).