

VAT Registration Thresholds in Europe

As is traditional in the sixth issue of each year, in this issue of the *International VAT Monitor*, the editors present an overview of the VAT thresholds in most European (both EU and non-EU) countries. In order to allow comparison, all national thresholds expressed in currencies other than the euro have been converted into euro. The overview, which is based on information provided by our correspondents, reflects the situation in October 2009 supplemented with announced amendments entering into force on 1 January 2010.

The following is an overview of the VAT registration thresholds that apply in Europe (both EU and non-EU countries), even though many countries do not actually use that expression in their national VAT legislation. Most countries allow small businesses to exempt their supplies on the condition that they do not deduct input tax. The consequences of such "personal" exemptions are equivalent to treating small businesses as non-taxable or non-registered persons and, therefore, the ceilings for those exemptions are presented as "registration thresholds" in the overview.

The term "registration threshold" does not necessarily mean that businesses whose turnover remains below the threshold do not have to be registered. For example, small businesses must be registered in Austria (if annual turnover exceeds EUR 7,500), Belgium, France and Greece.

As the large majority of the European countries are subject to the binding provisions of the VAT Directive,¹ it may be of interest to present a summary of the European criteria.

Under Arts. 284 to 286 of the VAT Directive, the nine Member States that formed the European Union at the time the previous Sixth Directive² was adopted, i.e. on 17 May 1977, are allowed to retain the exemptions³ applicable to small businesses prior to the entry into force of the Sixth Directive.⁴ Those Member States which at that time:

- applied an exemption to taxable persons whose annual turnover was less than EUR 5,000,⁵ are allowed to increase the threshold up to EUR 5,000;
- had not made use of this option are allowed to grant an exemption to taxable persons whose annual turnover is up to EUR 5,000;
- applied an exemption to taxable persons whose annual turnover was equal to or greater than EUR 5,000 are allowed to increase it in order to maintain its value in real terms.

A Commission Proposal⁶ to increase the ceiling to a mandatory level of EUR 10,000 and an optional level of EUR 35,000 (both amounts to be increased annually) was never adopted and finally withdrawn. Also a subsequent attempt of the Commission to increase the ceiling to EUR 100,000 was unsuccessful.⁷

Specific rules apply to the eighteen countries that acceded to the European Union on 1 January 1980,⁸ 1 January 1986,⁹ 1 January 1995,¹⁰ 1 May 2004¹¹ and 1 January 2007.¹² In respect of each of the new Member States, with the exception of Bulgaria and Romania,¹³ Art. 287 of the VAT Directive provides for a ceiling up to which those Member States may exempt small businesses from VAT. Those ceilings range from EUR 10,000 to 37,000.

The exemption applies to supplies of goods and services by small businesses established within the country,¹⁴ but there are certain transactions which Member States *may* exclude from the exemption,¹⁵ and others which they *must* exclude, such as the supply of "new" buildings and intra-Community supplies of new means of transport.¹⁶

* Editors of the *International VAT Monitor*

1. Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, OJ L 347 of 11 December 2006.
2. Sixth Council Directive 77/388/EEC of 17 May 1977 on the harmonization of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment, OJ L 145 of 13 June 1977.
3. Under Art. 14 of the Second Council Directive of 11 April 1967.
4. It was generally assumed that, as regards Belgium and the United Kingdom, the Sixth Directive officially entered into force on 1 January 1978, whilst, as regards Denmark, France, Germany, Ireland, Italy, Luxembourg and the Netherlands the date of entry into force was 1 January 1979. However, in her Opinion of 23 October 2008 in *Danfoss A/S AstraZeneca A/S v. Skatteministeriet*, Case C-371/07, AG Sharpston took the view that the Sixth Directive entered into force on the date when the Directive was notified to the Member States (23 May 1977).
5. Actually, the ceiling was "the equivalent in national currency of 5,000 European units of account at the conversion rate of 17 May 1977, the day on which the Sixth Directive was adopted".
6. Proposal submitted by the Commission on 9 October 1986, COM(86) 444, OJ C 272 of 28 October 1986, amended on 4 November 1987, OJ C 310 of 20 November 1987, and withdrawn in 1997 (OJ C 2 of 4 January 1997).
7. Proposal for a Council Directive amending Directive 77/388/EEC with a view to simplifying value added tax obligations, COM(2004) 728 final.
8. Greece.
9. Spain and Portugal.
10. Austria, Finland and Sweden.
11. Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia.
12. Bulgaria and Romania.
13. For Bulgaria and Romania, those thresholds were laid down by Annex III to the Treaty of Accession of Bulgaria and Romania of 25 April 2005, and are included in the proposal to amend VAT Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, COM(2007) 677 final.
14. See Art. 283(1)(c) of the VAT Directive. That exclusion may be a violation of the principle of non-discrimination.
15. See Art. 283(2) of the VAT Directive.
16. See Art. 283(1)(a) and (b) of the VAT Directive.

The turnover, which serves as a reference for the purposes of the exemption, consists of the amount, exclusive of VAT, of goods and services to the extent that they are taxed, including zero-rated transactions, real property transactions, financial services and insurance transactions, unless these transactions are ancillary. However, disposals of tangible or intangible capital business assets may not be taken into account for the purposes of calculating turnover, unless that disposal is an integral part of the usual business activities of the taxable person.¹⁷

In conformity with the provisions of the VAT Directive, the registration threshold in all Member States, except the Netherlands, refers to annual turnover (12-month period). The same applies to non-EU countries. In order to allow a comparison of the level of national registration thresholds with those of other countries and with European law, all thresholds expressed in currencies other than the euro have been converted to euro at the conversion rate applicable on 30 October 2009.¹⁸

Registration thresholds – October 2009

Country	EUR	National currency
Austria	30,000 ¹	
Belgium	5,580 ²	
Bosnia and Herzegovina	25,475	BAM 50,000 ³
	7,650	BAM 15,000 ⁴
Bulgaria	25,560	BGL 50,000 ⁵
Croatia	11,760	HRK 85,000 ⁶
Cyprus	15,600	
Czech Rep.	37,800	CZK 1 million ⁷
Denmark	6,700	DKK 50,000 ⁸
Estonia	16,000	EEK 250,000
Finland	8,500 ⁹	
France	80,000 ¹⁰	
	32,000 ¹¹	
	41,500	
	17,000	
Germany	17,500 ¹²	
Greece	10,000 ¹³	
	5,000 ¹⁴	
Hungary	18,300	HUF 5 million ¹⁵
Ireland	75,000 ¹⁶	
	37,500 ¹⁷	
Italy	30,000	
Latvia	14,100	LVL 10,000 ¹⁸
Lithuania	29,000	LTL 100,000 ¹⁹
Luxembourg	10,000	
Macedonia	21,170	MKD 1.3 million
Malta	37,000 ²⁰	
	24,000 ²¹	
	14,000 ²²	
Montenegro	18,000	
Netherlands	1,345 ²³	
Norway	5,960	NOK 50,000
Poland	11,800	PLZ 50,000 ²⁴
Portugal	12,500 ²⁵	
Romania	35,000 ²⁶	
Serbia	42,650	CSD 4 million ²⁷
Slovak Rep.	49,790 ²⁸	
Slovenia	25,000 ²⁹	
Spain	–	
Sweden	2,900	SEK 30,000 ³⁰
Switzerland ³¹	49,600	CHF 75,000
	165,300	CHF 250,000 ³² (if net VAT is less than CHF 4,000 (EUR 2,650))

Country	EUR	National currency
Turkey	13,600	TRY 30,000 ³³
	27,200	TRY 60,000 ³⁴
	40,260	TRY 89,000 ³⁵
Ukraine	24,700	UAH 300,000 ³⁶
United Kingdom	76,100	GBP 68,000 ³⁷

- Below the threshold of EUR 30,000, supplies of goods and services are exempt from VAT. However, small businesses are still required to register for VAT purposes, unless their annual turnover is less than EUR 7,500.
- Below the threshold of EUR 5,580, supplies of goods and services are exempt from VAT. Even though they do not have to pay VAT or file periodic VAT returns, small businesses whose turnover is below the threshold must still register for VAT purposes. In addition to the exclusions under Community law, the exemption does not apply to:
 - work on immovable property;
 - flat-rate farmers;
 - transactions subject to the special regime for tobacco products; and
 - supplies of fish, shellfish and molluscs made by public auction at the communal fish market on the docks.
- The threshold of BAM 50,000 (EUR 25,475) refers to the turnover in the preceding calendar year. Below that threshold, small businesses may register on a voluntary basis for a minimum period of 60 months.
- The threshold of BAM 15,000 (EUR 7,650) applies to persons engaged in agricultural or forestry activities, who pay income tax in accordance with the cadastral income of the agricultural and forestry land.
- The threshold of BGL 50,000 (EUR 25,560) applies to turnover in 12 successive months derived from taxed transactions, including zero-rated supplies, and exempt financial and insurance services. Below that threshold, registration on a voluntary basis is allowed.
- The threshold of HRK 85,000 (EUR 11,760) applies to turnover in the preceding calendar year.
- The registration threshold does not apply to fixed establishments in the Czech Republic of non-resident businesses.
- A higher threshold of DKK 170,000 (EUR 22,840) applies to the blind, and a threshold of DKK 300,000 (EUR 40,300) applies to the first sale of works of art by their creator or his successors in title. For the purposes of the latter exemption, the threshold of DKK 300,000 must not have been exceeded in the current or preceding year.
- The threshold of EUR 8,500 applies to turnover in an accounting period. If that period is longer or shorter than 12 months, the amount of turnover for that period is adapted in proportion to EUR 8,500 for a 12-month period. Where small businesses exceed the registration threshold of EUR 8,500, they must be registered and pay VAT, but a graduated relief is available until they reach a second threshold of EUR 22,500. That relief, which does not apply to municipalities or to non-resident entrepreneurs without a fixed establishment in Finland, decreases as turnover increases.
- The threshold of EUR 80,000 applies to turnover derived in the preceding calendar year from supplies of goods or the provision of hotel accommodation and food and drink in restaurants.
- The threshold of EUR 32,000 applies to turnover derived in the preceding calendar year from services other than the provision of hotel accommodation and food and drink in restaurants and other than the services of lawyers, writers and artists. The threshold of EUR 41,500 applies to turnover derived in the preceding calendar year from services rendered by lawyers, writers and artists, acting as such. The threshold of EUR 80,000 applies to turnover derived in the preceding calendar year by lawyers, writers and artists from services unfamiliar to their professional status.
- Supplies of goods and services by small businesses are exempt, provided that total turnover derived from both taxed and certain exempt supplies in the preceding calendar year did not exceed the threshold of EUR 17,500, and total expected turnover in the current calendar year will not exceed the threshold of EUR 50,000. Taxable persons, whose turnover is below the threshold and who nonetheless opt for taxation, may not apply the exemption in the following five years.
- The threshold of EUR 10,000 relates to supplies of goods or to supplies of goods and services, provided that turnover derived from services does not exceed EUR 5,000.
- The threshold of EUR 5,000 applies to turnover derived from the supply of services only.
- Persons carrying out agricultural activities have a special VAT status (they are not liable to VAT payment and they are not entitled to deduct VAT), provided that they fall under the law on small and medium-sized enterprises.
- The threshold of EUR 75,000 applies to turnover derived from supplies of goods.
- The threshold of EUR 37,500 applies to turnover derived from supplies of services.
- The threshold of LVL 10,000 (EUR 14,100) applies to turnover in the preceding 12-month period.

17. See ECJ judgment of 6 March 2008 in *Nordania Finans A/S, BG Factoring A/S v. Skatteministeriet*, Case C-98/07.

18. As published in OJ C 261 of 31 October 2009. The amounts relating to Bosnia and Herzegovina, Macedonia, Serbia and Ukraine have been converted to euro on the basis of an unofficial rate of exchange.

Articles

19. Below the threshold of LTL 100,000 (EUR 29,000), small businesses may register on a voluntary basis.
20. In order to qualify for registration as a small undertaking, the turnover of a person whose activities consist mainly of making supplies of goods, must not exceed EUR 37,000.
21. The threshold of EUR 24,000 applies to persons whose activities consist mainly of making supplies of services with a relatively low value added. In order to qualify for registration as a small undertaking, the turnover of a person derived from such supplies must not exceed this threshold.
22. The threshold of EUR 14,000 applies to all other economic activities. In order to qualify for registration as a small undertaking, the turnover of a person derived from such supplies must not exceed this threshold.
23. The Dutch VAT Act provides for a special tax reduction for small businesses. Those are defined as individuals or associated groups of individuals (e.g. partnerships), excluding corporate businesses. Where the total amount of VAT (output tax less input tax) due for a calendar year on supplies of goods and services does not exceed EUR 1,883, the tax reduction is equal to 2.5 x the difference between EUR 1,883 and the amount of VAT due. Therefore, where, before application of the reduction, a small business has to remit EUR 1,345, the (maximum) reduction is $2.5 \times (1,883 - 1,345) = \text{EUR } 1,345$ and the amount actually due is nil. The reduction cannot be larger than the amount payable before the reduction is applied, so up to EUR 1,345 no VAT must be paid and no VAT is refunded. From EUR 1,345 to EUR 1,883, the reduction constitutes a graduated (diminishing) tax relief. Where the VAT due exceeds EUR 1,883, the reduction is nil and the full amount of the tax must be remitted.
24. Taxable persons, who are no longer entitled to apply the VAT exemption on the ground that they exceeded the threshold of PLZ 50,000 (EUR 11,800) in a preceding year or waived the exemption, may apply the exemption again three years from the date on which the exemption ceased to apply. Under a proposal, the three-year period will be reduced to one year. The Ministry of Finance has recently presented its intention to gradually increase the threshold to PLZ 150,000 (EUR 35,400) (around EUR 20,000 in 2010 and EUR 30,000 in 2011). On 7 September 2009, the Council of Ministers adopted the draft Budget for 2010, under which the VAT registration threshold will be increased from PLZ 50,000 (EUR 11,800) to 100,000 (EUR 23,600). During its meeting of 19 and 20 October 2009, the Ecofin Council authorized Poland to increase the registration threshold up to EUR 30,000, from 1 January 2010. Although Poland's present currency was introduced almost 13 years ago, the official abbreviation is still "PLN", i.e. Polish "new" zloty. The abbreviation PLZ is more appropriate and, therefore, used in this article.
25. The threshold of EUR 12,500 applies to taxable persons who are subject to VAT under the simplified regime for small retailers. A threshold of EUR 50,000 is the maximum annual turnover under which the simplified regime for small retailers is applicable.
26. Taxable persons, who exceeded the threshold of EUR 35,000, may not apply the exemption in future years, even if their turnover falls below the threshold.
27. The annual threshold for mandatory registration is CSD 4 million (EUR 42,650) in any 12-month period, whereas the threshold for voluntary registration is CSD 2 million (EUR 21,325). Taxable persons wishing to voluntarily register for the current year must have applied for registration on 15 January of that year at the latest.
28. The threshold of EUR 49,790 relates to taxable turnover in the preceding period of a maximum of 12 consecutive months.
29. The exemption applies where the taxable turnover has not exceeded or is not likely to exceed the threshold in a period of 12 consecutive months. The taxable person must be registered in the month when the threshold is exceeded.
30. The registration threshold only applies to natural persons whose annual turnover derived from business activities does not exceed SEK 30,000 (EUR 2,900). Furthermore, employers whose supplies are normally exempt from VAT must account for VAT in respect of the provision of food and drink to their employees if the related turnover exceeds SEK 30,000. A threshold of SEK 300,000 (EUR 29,000) applies to the sale of works of art by the artist or by the estate after the artist died. However, the artist or the estate of the deceased artist may opt to register on a voluntary basis.
31. From 1 January 2010, a single threshold of CHF 100,000 will apply.
32. Where their turnover is between CHF 75,000 (EUR 49,600) and CHF 250,000 (EUR 165,300), taxable persons are not required to register for VAT if the net amount of VAT due is less than CHF 4,000 (EUR 2,650). The net VAT due is output tax minus input tax or turnover times the flat-rate percentage. Registration on a voluntary basis is allowed where annual turnover exceeds CHF 40,000 (EUR 26,500).
33. The threshold of TRL 30,000 (EUR 13,600) generally applies to small businesses engaged in the manufacturing of goods, until 31 December 2009.
34. The threshold of TRL 60,000 (EUR 27,200) applies to small businesses engaged in both manufacturing and reselling activities. The same threshold applies to specific professional services, such as those of nurses. In both cases the threshold applies until 31 December 2009.
35. The threshold of TRL 89,000 (EUR 40,260) applies to resellers, until 31 December 2009. Resellers are also exempt where their purchases do not exceed TRL 69,000 (EUR 27,500).
36. The threshold of UAH 300,000 (EUR 27,700) applies to supplies of goods and services during the preceding 12 months.
37. The exemption applies where taxable turnover has not exceeded GBP 68,000 (EUR 76,100) in the preceding 12 months and is not expected to exceed GBP 68,000 in the next 30 days.