

VAT Registration Thresholds in Europe

As is traditional in the sixth issue of each year, in this issue of the International VAT Monitor an overview is presented of the VAT registration thresholds in most European (both EU and non-EU) countries, applicable in October 2017 and supplemented with announced amendments entering into force on 1 January 2018.

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. Many countries allow small businesses to exempt their supplies on the condition that they do not deduct input tax. The consequences of such “subjective” 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 in some form. For example, small businesses must be registered under a special procedure in Belgium, France, Greece and Malta.

As the large majority of the European countries are subject to the binding provisions of the VAT Directive,¹ it is useful to summarize the EU criteria.

Under articles 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:

* **Editor of the International VAT Monitor.**

1. EU VAT Directive: Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax, OJ L347 (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 L145 (1977).
3. Under article 14 of the Second Directive (Second Council Directive 67/228/EEC of 11 April 1967 on the harmonization of legislation of Member States concerning turnover taxes – Structure and procedures for application of the common system of value added tax, OJ 71 (1967), English Special Edition OJ 1967 of November 1972).
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, ECLI:EU:C:2008:590, Advocate General 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).

- applied an exemption to taxable persons whose annual turnover was less than EUR 5,000⁵ are allowed to increase the threshold 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; or
- applied an exemption to taxable persons whose annual turnover was equal to or greater than EUR 5,000 are allowed to increase the threshold 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 19 countries that acceded to the European Union on 1 January 1980,⁸ 1 January 1986,⁹ 1 January 1995,¹⁰ 1 May 2004,¹¹ 1 January 2007¹² and 1 July 2013.¹³ In respect of each of the new Member States, article 287 of the VAT Directive provides for a ceiling up to which those Member States may exempt small businesses from VAT. Those ceilings formally range from EUR 10,000 to 37,000. However, the European Council has already authorized various Member States to deviate from those formal ceilings.

Under EU law, the subjective exemption applies to supplies of goods and services made by small businesses established within the country (“resident businesses”).¹⁴

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 C272 (1986), amended on 4 November 1987, OJ C310 (1987), and withdrawn in 1997 (OJ C2 (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. Croatia.
14. See article 283(1)(c) of the VAT Directive. As to the question of whether or not the exclusion of non-resident taxable persons from the arrangements for small businesses infringes the principle of non-discrimination (article 12 EC), the freedom of establishment (article 43 EC et seq), the freedom to provide services (article 49 EC), or the principle of equal treatment, the Court of Justice of the European Union (ECJ) delivered its decision in *Ingrid Schmelz* (AT: ECJ), 26 Oct. 2010, Case C-97/09, *Ingrid Schmelz v. Finanzamt Waldviertel*, ECJ Case Law IBFD, [2010] ECR I-10465, ECLI:EU:C:2010:632). On that occasion, the ECJ declared that the provisions on the freedom of establishment do not apply in this case because they require a permanent presence in terms of premises, staff and equipment, that the principle of non-discrimination does not apply independently and that the principle of equal treatment is part of the freedom to provide services. As regards the freedom to provide

However, specific Member States also apply this exemption to non-resident small businesses. The latter group of Member States includes Bulgaria, Cyprus, Hungary, Portugal and Sweden. Outside the European Union, Bosnia and Herzegovina, Norway, Russia,¹⁵ and Switzerland adopt the same policy.

There are certain transactions which Member States *may* exclude from the exemption,¹⁶ and others which they *must* exclude, such as the supply of “new” buildings and intra-Community supplies of new means of transport.¹⁷

The turnover, which serves as a reference for the purposes of the exemption, consists of the amount, exclusive of VAT, derived from supplies 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.¹⁸

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, except Russia. In order to allow a comparison of the level of the national registration thresholds with those of other countries and with EU law, all thresholds expressed in currencies other than euro have been converted to euro (between brackets) at the conversion rate applicable on 30 October 2017.¹⁹

Country	EUR	National currency
Austria	30,000 ¹	
Belgium	25,000 ²	
Bosnia and Herzegovina	(25,600)	BAM 50,000 ³
	(7,600)	BAM 15,000 ⁴
Bulgaria	(25,600)	BGL ⁵ 50,000 ⁶
Croatia	(30,600)	HRK 230,000 ⁷
Cyprus	15,600	
Czech Republic	(39,000)	CZK 1 million ⁸
Denmark	(6,700)	DKK 50,000 ⁹
Estonia	16,000 ¹⁰	
Finland	10,000 ¹¹	
France	82,800 ¹²	
	33,200 ¹³	
	42,900	
	17,500	
Germany	17,500 ¹⁴	
Greece	10,000 ¹⁵	
Hungary	(31,700) ¹⁶	HUF 8 million ¹⁷
Ireland	75,000 ¹⁸	
	37,500 ¹⁹	
Italy	25,000-50,000 ²⁰	
Latvia ²¹	50,000	
Lithuania	45,000 ²²	
Luxembourg	30,000 ²³	
Macedonia	(16,200)	MKD 1 million ²⁴
Malta	35,000 ²⁵	
	24,000 ²⁶	
	14,000 ²⁷	
Montenegro	18,000 ²⁸	
Netherlands	1,345 ²⁹	
Norway	(5,300)	NOK 50,000 ³⁰
Poland	(47,100)	PLN 200,000
Portugal	12,500 ³¹	
Romania	(65,000)	RON 220,000 ³²
Russia	(29,800)	RUB 2 million ³³
Serbia	(67,100)	RSD 8 million
Slovak Republic	49,790 ³⁴	
Slovenia	50,000 ³⁵	
Spain	–	
Sweden	–	– ³⁶
Switzerland	(86,200)	CHF 100,000 ³⁷
Turkey	–	
Ukraine	(32,100)	UAH 1 million ³⁸
United Kingdom	(96,600)	GBP 85,000 ³⁹

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services, the ECJ observed that the need to guarantee the effectiveness of tax supervision constitutes an overriding reason in the public interest capable of justifying a restriction on the exercise of the freedom of movement. The ECJ found that, at this stage in the evolution of the VAT system, the objective of guaranteeing effective tax supervision in order to combat fraud, tax evasion and possible abuse, and the objective of the scheme for small businesses, which is to support the competitiveness of such businesses, justify limiting the applicability of the VAT exemption to the activities of small businesses for which VAT is due in the Member State in which they are established. On those grounds, the ECJ concluded that consideration of the questions has disclosed no factor of such a kind as to affect the validity of article 283(1)(c) of the VAT Directive.

15. In Russia, non-resident taxable persons must be registered regardless of their turnover. Generally, such a registration is required when employees of a non-resident business carry out their activities in Russia through a permanent workplace for more than 30 days a year.
16. See article 283(2) of the VAT Directive.
17. See article 283(1)(a) and (b) of the VAT Directive.
18. See DK: ECJ, 6 Mar. 2008, Case C-98/07, *Nordania Finans A/S and BG Factoring A/S v. Skatteministeriet*, ECJ Case Law IBFD, [2008] ECR I-1281, ECLI:EU:C:2008:144.
19. As published in OJ C370 of 31 October 2017. 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.

1. In Austria, below the threshold of EUR 30,000, registration on a voluntary basis is allowed.
2. In Belgium, within the threshold of EUR 25,000, 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. Categorically excluded from the exemption are:
 - businesses operating in the sector of work on immovable property;

- VAT groups;
 - businesses operating in the recycling sector; and
 - businesses in the catering and restaurant sector that are required to use an approved cash register.
- In addition to the exclusions under EU law, the following activities cannot benefit from the scheme and are not taken into account for determining whether the threshold of EUR 25,000 has been exceeded:
- transactions subject to the special regime for tobacco products;
 - supplies of fish, shellfish and molluscs made by public auctions at communal fish markets on the docks;
 - the exempt sale of new means of transport (intra-Community supply); and
 - hidden transactions, i.e. when they are discovered, hidden transactions cannot be exempt.
3. In Bosnia and Herzegovina, the threshold of BAM 50,000 (EUR 25,600) 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.
 4. In Bosnia and Herzegovina, the threshold of BAM 15,000 (EUR 7,600) 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.
 5. In Bulgaria, the currency system was reformed on several occasions since 1952. The most recent reform occurred on 5 July 1999. From that date, 1,000 former leva became equivalent to 1 new lev. Although the official abbreviation is still "BGN", i.e. "new lev", it is more appropriate to use the abbreviation BGL again.
 6. In Bulgaria, the threshold of BGL 50,000 (EUR 25,600) applies to turnover in 12 successive months derived from taxed transactions, including zero-rated supplies, and financial and insurance services. Below that threshold, registration on a voluntary basis is allowed.
 7. In Croatia, the threshold of HRK 230,000 (EUR 30,600), applies to turnover in the preceding calendar year.
 8. In the Czech Republic, the threshold relates to turnover exceeded in the past 12 successive calendar months.
 9. In Denmark, a higher threshold of DKK 170,000 (EUR 22,800) 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.
 10. In Estonia, from 1 January 2018, the threshold will be increased from EUR 16,000 to EUR 40,000.
 11. In Finland, the threshold of EUR 10,000 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 10,000 for a 12-month period. The threshold does not apply to municipalities and businesses established in the Åland Islands. Where the threshold of EUR 10,000 is exceeded, small businesses must be registered and pay VAT, but a graduated relief is available until they reach a second threshold of EUR 30,000. That relief, which also does not apply to municipalities or to businesses established in the Åland Islands, decreases as turnover increases.
 12. In France, the threshold of EUR 82,800 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.
 13. In France, the threshold of EUR 33,200 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 42,900 applies to turnover derived in the preceding calendar year from services rendered by lawyers, writers and artists acting as such. The threshold of EUR 82,800 applies to turnover derived in the preceding calendar year by lawyers, writers and artists from services that do not form part of their professional status.
 14. In Germany, 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 turnover in the current calendar year is not expected to exceed 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.
 15. In Greece, small business whose turnover does not exceed the threshold may register on a voluntary basis for a minimum period of two years.
 16. In Hungary, for the purposes of converting amounts expressed in euro into forint, a fixed exchange rate (EUR 1 = HUF 252.19) is laid down by article 256 of the VAT Act. The threshold of HUF 8 million is formally equivalent to EUR 31,700, and the actual equivalent is EUR 25,700.
 17. In Hungary, persons carrying out agricultural activities have a special VAT status (they are not liable to pay VAT and they are not entitled to deduct VAT), provided that they fall under the law on small and medium-sized enterprises.
 18. In Ireland, the threshold of EUR 75,000 applies to turnover derived from supplies of goods.
 19. In Ireland, the threshold of EUR 37,500 applies to turnover derived from supplies of services.
 20. In Italy, an optional regime for small businesses provides simplifications both for VAT and income tax purposes. Under the regime, the threshold varies from EUR 25,000 to EUR 50,000 depending on the type of activity carried out and the turnover in the preceding calendar year. The threshold only applies to natural persons (i.e. professionals, artists and entrepreneurs) resident in Italy or in another EU or EEA Member State with an adequate exchange of information (provided that the natural person earns 75% of his income in Italy), not to entities. The threshold does not apply to natural persons who:
 - are members of partnerships, professional associations or SRLs (limited liability companies) and who are subject to the "regime di trasparenza" for income tax;
 - benefit from special or forfeited VAT regimes;
 - perform exclusively or predominantly supplies of buildings, building lands or new means of transports;
 - in the preceding calendar year had employment income (and/or similar income) for an amount not higher than EUR 30,000; and
 - in the preceding calendar year, had costs for employees higher than EUR 5,000 while, at the end of the previous year, the total cost for capital movable goods was higher than EUR 20,000.
 21. In Latvia, the threshold of EUR 50,000 (from 1 January 2018, EUR 40,000) applies to turnover in the preceding 12-month period. With effect from 1 January 2018, the threshold will be reduced from EUR 50,000 to EUR 40,000.
 22. In Lithuania, below the threshold of EUR 45,000, small businesses may register on a voluntary basis.
 23. In Luxembourg, small businesses must report their turnover to the tax authorities every year over the preceding 12 months. Small businesses whose turnover has not exceeded the threshold may register on a voluntary basis for a minimum period of five years.
 24. In Macedonia, below the threshold of MKD 1 million (EUR 16,200), registration on a voluntary basis is allowed.
 25. In Malta, in order to qualify for registration as a small undertaking (i.e. to be entitled to apply the generic exemption), the turnover of a person whose activities consist mainly of making supplies of goods must not exceed EUR 35,000.
 26. In Malta, the generic exemption up to a turnover of EUR 24,000 applies to persons whose activities consist mainly of providing services with a relatively low added value.
 27. In Malta, the generic exemption up to a turnover of EUR 14,000 applies to all other economic activities.
 28. In Montenegro, below the threshold of EUR 18,000, small businesses may register on a voluntary basis for a minimum period of three years.
 29. In the Netherlands, the VAT Act provides for a special tax reduction for small businesses. These 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 x (1,883 - 1,345) = 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.
 30. In Norway, the registration threshold is defined in terms of annual turnover derived from taxable activities. A special threshold of NOK 140,000 (EUR 14,760) applies to charities.
 31. In Portugal, the threshold of EUR 12,500 applies to taxable persons who are small businesses exempt from VAT, and when the annual turnover is up to EUR 50,000 small businesses can be under the simplified regime for small retailers provided in the VAT Code.
 32. In Romania, the Tax Code mentions EUR 65,000, and its equivalent to RON 220,000, which is calculated using the National Bank of Romania exchange rate applicable on the date Romania joined the European Union. Registered taxable persons who have not reached the threshold in a year may apply for exemption for the following year. To that end, they must file an application by the tenth day of the first month following the end of a tax period. The exemption then applies with effect from the date on which the tax authorities communicate the deregistration decision to the applicant. By Council Implementing Decision, Romania is authorized to increase the registration threshold to EUR 88,500 from 1 January 2018.
 33. In Russia, businesses whose turnover in the three preceding months is below the threshold may apply for exemption of their supplies and for release from their other VAT obligations, with the exception of their obligation to register. All businesses must register for tax purposes (including VAT), regardless of their turnover. Special rules apply to businesses established in the Innovation Centre "Skolkovo", which have obtained the status of "participant" (see VAT News, 21 Intl. VAT Monitor 6, p. 454 (2010)), and non-resident entities involved in the organization of the FIFA World Championship Football in 2018.
 34. In the Slovak Republic, the threshold of EUR 49,790 relates to taxable turnover in the preceding period of a maximum of 12 consecutive months.
 35. In Slovenia, 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. Persons must be registered in the month when they exceed the threshold. A registration threshold of EUR 7,500 applies to persons engaged in agricultural activities. 36. In Sweden, no general registration threshold applies. A threshold of SEK 300,000 (EUR 30,900) applies in exceptional circumstances, i.e. the sale of works of art by the artist or by the estate after the artist has died. However, the artist or the estate of the deceased artist may opt to register on a voluntary basis.
 37. In Switzerland, the threshold of CHF 100,000 (EUR 86,200) also applies for supplies of goods in Switzerland by a foreign company (as long as these goods have not been imported previously by the foreign company) that are taxed as acquisitions. Thus the reverse charge mechanism applies for this kind of supplies only up to CHF 100,000.
 38. In Ukraine, the threshold of UAH 1 million (EUR 32,100) applies to supplies of goods and services made during the preceding 12 months.
 39. In the United Kingdom, the exemption applies where taxable turnover has not exceeded GBP 85,000 (EUR 96,600) in the preceding 12 months and is not expected to exceed GBP 85,000 in the next 30 days. Every year on 1 April the threshold changes.