Council Implementing Decision (EU) 2020/774 of 8 June 2020 authorising the Republic of Finland to apply a special measure derogating from Article 287 of Directive 2006/112/EC on the common system of value added tax

COUNCIL IMPLEMENTING DECISION (EU) 2020/774

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authorising the Republic of Finland to apply a special measure derogating from Article 287 of Directive 2006/112/EC on the common system of value added tax

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax[(1)], and in particular the first subparagraph of Article 395(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) Pursuant to point (5) of Article 287 of Directive 2006/112/EC, Finland may exempt from value added tax ('VAT') taxable persons whose annual turnover is no higher than the equivalent in national currency of ECU 10 000 at the conversion rate on the day of its accession.

(2) By letter registered with the Commission on 6 January 2020, Finland requested authorisation to introduce a special measure derogating from point (5) of Article 287 of Directive 2006/112/EC ('the special measure') from 1 January 2021 until 31 December 2024 in order to increase the exemption threshold to EUR 15 000. Through the special measure, taxable persons whose annual turnover is no higher than EUR 15 000 would be exempt from certain or all of the VAT obligations set out in Chapters 2 to 6 of Title XI of Directive 2006/112/EC.

(3) A higher threshold for the special scheme for small enterprises set out in Articles 281 to 294 of Directive 2006/112/EC is a simplification measure, as it may significantly reduce the VAT obligations of small enterprises.

(4) By letter dated 10 March 2020, the Commission informed the other Member States, pursuant to the second subparagraph of Article 395(2) of Directive 2006/112/EC, of the request made by Finland. By letter dated 11 March 2020, the Commission notified Finland that it had all the information it considered necessary for appraisal of the request.

(5) The special measure is in line with Council Directive (EU) 2020/285[(2)]. That Directive amended Chapter 1 of Title XII of Directive 2006/112/EC, which governs the special scheme for small enterprises. Directive (EU) 2020/285 seeks to reduce VAT compliance costs for small enterprises, mitigate distortions of competition at both national and Union level, and reduce the negative impact of transition from exemption to taxation

Changes to legislation: *There are currently no known outstanding effects for the Council Implementing Decision (EU) 2020/774. (See end of Document for details)*

(what is known as the threshold effect). It also seeks to facilitate business compliance by small enterprises and monitoring by tax administrations. The requested threshold of EUR 15 000 is consistent with Article 284 of Directive 2006/112/EC, as amended by Directive (EU) 2020/285.

(6) The special measure is optional for taxable persons. Taxable persons will still be able to opt for the regular VAT arrangements in accordance with Article 290 of Directive 2006/112/EC.

(7) According to the information provided by Finland, the special measure will only have a negligible effect on the overall amount of the tax revenue of Finland collected at the stage of final consumption.

(8) The special measure will not adversely affect the Union's own resources accruing from VAT because Finland will carry out a compensation calculation in accordance with Article 6 of Council Regulation (EEC, Euratom) No 1553/89[(3)].

(9) Given that Finland expects the increased threshold to result in reduced VAT obligations and thus a reduction in the administrative burden and compliance costs for small enterprises and for the tax authorities, and given that there will be no major impact on the total VAT revenue generated, Finland should be authorised to apply the special measure.

(10) The authorisation to apply the special measure should be limited in time. The time limit should be sufficient to allow the effectiveness and appropriateness of the threshold to be evaluated. Moreover, Directive (EU) 2020/285 requires Member States to adopt and publish, by 31 December 2024, the laws, regulations and administrative provisions necessary to comply with Article 1 of that Directive, and apply those provisions from 1 January 2025. It is therefore appropriate to authorise Finland to apply the special measure until 31 December 2024,

HAS ADOPTED THIS DECISION:

Article 1

By way of derogation from point (5) of Article 287 of Directive 2006/112/EC, Finland is authorised to exempt from VAT taxable persons whose annual turnover is no higher than EUR 15 000.

Article 2

This Decision shall take effect on the date of its notification.

This Decision shall apply from 1 January 2021 until 31 December 2024.

Article 3

This Decision is addressed to the Republic of Finland.