

# European Commission Closes Infringement Procedure Against Lithuania Related to Disproportionate Anti-Abuse Rules Regarding Small and Medium Enterprises

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On 19 April 2023, the European Commission announced that it had closed the infringement procedure against Lithuania, regarding the incorrect application of VAT rules for small and medium enterprises. The procedure was closed by decision of the European Commission, without explicitly stating the reasons for closing it. However, it might be due to the fact that Lithuania amended its VAT legislation as from 1 January 2023 to introduce exceptions to the anti-abuse rule for calculating the VAT registration threshold for related enterprises.

The infringement procedure started on 15 July 2021, when the European Commission sent a letter of formal notice to Lithuania. Its national rules provided that taxable persons with annual turnover below EUR 45,000 were excluded from the obligation to register for VAT purposes. However, for anti-abuse reasons, the calculation of the threshold considered the income of related enterprises, and when it exceeded EUR 45,000, the simplification measures for small and medium enterprises were denied. The European Commission considered the anti-abuse rule to be disproportionate and required Lithuania to amend its national legislation.

For prior coverage, see [Lithuania Proposes to Change VAT Registration Threshold Calculation for Related Persons \(16 August 2022\)](#)