

Government Approves Law Implementing Directive on VAT Scheme for Small Businesses

15 January 2024

Report from our correspondent Xeniya Yeroshenko

The government has adopted a draft bill amending the VAT Law. The main changes concern:

- transposition of the [Amending Directive to the VAT Directive \(2020/285\)](#) into national legislation. The special scheme for small enterprises is proposed to become effective from 1 January 2025;
- transposition of Regulation (EU) No. 904/2010 concerning the administrative cooperation and exchange of information for the purpose of monitoring the correct application of the special scheme for small enterprises;
- transposition of the [Amending Directive to the VAT Directive \(2022/542\)](#), article 1, points (1) and (2) as regards the place of supply of services relating to activities that can be supplied to customers via electronic means, effective from 1 January 2025; and
- refining the VAT legislation to address some of the ECJ case law.

Accordingly, from 2025, small business will have the opportunity to also apply tax exemption in the other Member States if their annual turnover in the EU in the calendar year is lower than EUR 100,000 and at the same time their turnover in the same calendar year does not exceed the established national limit, up to which it is considered a small enterprise in the respective Member State.

The registration rules are amended. The domestic person becomes a taxpayer on the first day of the calendar year following the calendar year in which its turnover exceeded EUR 50,000 (exemptions and further requirements apply).

Another change concerns the instrument of self-assessment of VAT on the importation of goods by the importer. Although this provision is included in the VAT law, it is not yet effective and such VAT is currently assessed by the customs office. The amendment should activate this instrument as from 1 January 2025 for:

- the authorized economic operator (AEO) entities (i.e. economic subjects authorized pursuant to customs legislation); and
- taxpayers on whose account a customs declaration is submitted within the framework of centralized customs procedures, who have an effective status of an AEO.

Finally, several VAT Law provisions were amended in accordance with the established practice of the ECJ. Thus, the proposal amends tax treatment of leasing contracts with an option to purchase. The amendment will align the VAT treatment of such contracts with the principles established in case [Mercedes Benz Financial Services UK \(C-164/16\)](#) and case [Eon Asset Management \(C118/11\)](#). As a

result, the transfer of goods under the contract will be treated as a supply of goods for the purposes of the VAT Law. The amendment will not affect contracts concluded before 1 January 2025, which will be treated as delivery of services.

Following the case [DNB Banka \(C-326/15\)](#), the government proposes to narrow the application of the VAT exemption on services supplied by an organization (association or political party) to its members only when members of the given legal entity carry out exclusively VAT-exempt services of public interest or activities that are not subject to VAT. This amendment shall become effective as of 1 July 2024.

Following the judgment of the ECJ in the case [ET 'PIGI \(C-550/11\)](#), it is proposed to extend the taxpayer's obligation to pay VAT on goods which were stolen and for which the VAT has been fully or partially deducted. The rule should apply to all situations in which there is an illegal withdrawal of goods from the taxpayer's disposal, which is the consequence of the fact that the concerned taxpayer can no longer use these goods for its taxable supply. This amendment shall become effective as of 1 January 2025.

The draft bill was approved by the government on 10 January 2024 and shall enter into force on the date of publication unless stated otherwise. To become law, the bill must be approved by the parliament and signed by the President.

The full text of the draft bill can be found [here](#) (in Slovak only).

Further developments will be reported as they occur.

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