Council of the European Union

Brussels, 23 October 2020
(OR. en)

11685/20

Interinstitutional File:
2020/0280 (NLE)

FISC 191
ECOFIN 894

LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject:	COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) 2017/1768 authorising the Republic of Croatia to introduce 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/…

of …

amending Implementing Decision (EU) 2017/1768
authorising the Republic of Croatia to introduce 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,

[1] OJ L 347, 11.12.2006, p. 1.

Whereas:

(1) Under point (19) of Article 287 of Directive 2006/112/EC, Croatia is able to exempt from value added tax ('VAT') taxable persons whose annual turnover is no higher than the equivalent in national currency of EUR 35 000 at the conversion rate on the day of its accession.

(2) Croatia was authorised by Council Implementing Decision (EU) 2017/1768[1] to introduce a special measure derogating from Article 287 of Directive 2006/112/EC ('the derogating measure') to exempt from VAT taxable persons whose annual turnover was no higher than the equivalent in national currency of EUR 45 000 at the conversion rate of the day of its accession, until 31 December 2020 or until the entry into force of a directive amending Articles 281 to 294 of Directive 2006/112/EC, whichever date is earlier.

[1] Council Implementing Decision (EU) 2017/1768 of 25 September 2017 authorising the Republic of Croatia to introduce a special measure derogating from Article 287 of Directive 2006/112/EC on the common system of value added tax (OJ L 250, 28.9.2017, p. 71).

(3) By letter registered with the Commission on 18 May 2020, Croatia requested authorisation to continue applying the derogating measure until 31 December 2024, that is the date by which Member States are to adopt the laws, regulations and administrative provisions necessary to comply with Council Directive (EU) 2020/285[1], which lays down simpler VAT rules for small enterprises and, inter alia, deletes Article 287 of Directive 2006/112/EC with effect from 1 January 2025.

(4) In accordance with the second subparagraph of Article 395(2) of Directive 2006/112/EC, the Commission informed the other Member States by letter dated 9 June 2020 of the request made by Croatia. The Commission notified Croatia by letter dated 11 June 2020 that it had all the information necessary to consider the request.

(5) According to the information provided by Croatia, it appears that the reasons for the derogating measure remain largely unchanged and the increased threshold had no impact on the overall amount of tax revenue collected at the stage of final consumption. Taxable persons are still able to opt for the normal VAT arrangements.

[1] Council Directive (EU) 2020/285 of 18 February 2020 amending Directive 2006/112/EC on the common system of value added tax as regards the special scheme for small enterprises and Regulation (EU) No 904/2010 as regards the administrative cooperation and exchange of information for the purpose of monitoring the correct application of the special scheme for small enterprises (OJ L 62, 2.3.2020, p. 13).

(6) Given the potential positive impact of the derogating measure in reducing the administrative burden and compliance costs for small enterprises and for the tax authorities, and the lack of any major impact on the total VAT revenue generated, Croatia should be authorised to continue applying the derogating measure.

(7) The authorisation to apply the derogating 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, Article 287 of Directive 2006/112/EC is deleted by Directive (EU) 2020/285 with effect from 1 January 2025. It is therefore appropriate to authorise Croatia to apply the derogating measure until 31 December 2024.

(8) The derogating measure has no impact on the Union's own resources accruing from VAT because Croatia will carry out a compensation calculation in accordance with Article 6 of Council Regulation (EEC, Euratom) No 1553/89[1].

(9) Implementing Decision (EU) 2017/1768 should therefore be amended accordingly,

HAS ADOPTED THIS DECISION:

[1] Council Regulation (EEC, Euratom) No 1553/89 of 29 May 1989 on the definitive uniform arrangements for the collection of own resources accruing from value added tax (OJ L 155, 7.6.1989, p. 9).

Article 1

In Article 2 of Implementing Decision (EU) 2017/1768, the second paragraph is replaced by the following:

‘This Decision shall apply from 1 January 2018 until 31 December 2024.’.

Article 2

This Decision is addressed to the Republic of Croatia.

Done at Brussels,

For the Council
The President