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LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject: COUNCIL IMPLEMENTING DECISION 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) 2017/...

of ...

**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 tax¹, and in particular 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 may 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) By letter registered with the Commission on 20 December 2016, Croatia requested authorisation to introduce a special measure derogating from Article 287 of Directive 2006/112/EC ("the special measure"), allowing it to exempt, as of 1 January 2018, from VAT taxable persons whose annual turnover is no higher than the equivalent in its national currency of EUR 45 000.
- (3) A higher threshold for applying the special scheme for small enterprises is a simplification measure, as it may significantly reduce the VAT obligations of small enterprises.
- (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 13 March 2017 of the request made by Croatia. By letter dated 14 March 2017, the Commission notified Croatia that it had all the information necessary to consider the request.
- (5) From the information provided by Croatia, potentially around 9 000 taxpayers could make use of the special measure in order to reduce their VAT obligations as set out in Chapter 2 of Title XI of Directive 2006/112/EC. It would also reduce the burden on the tax administration and simplify the collection of the tax.

- (6) Given that the special measure will result in reduced VAT obligations for small enterprises, Croatia should be authorised to apply it for a limited period. Taxable persons should still be able to opt for the normal VAT arrangements.
- (7) As Articles 281 to 294 of Directive 2006/112/EC governing the special scheme for small enterprises are subject to review, it is possible that a directive amending those provisions will enter into force before the period of validity of the derogation expires.
- (8) From information provided by Croatia, the increased threshold will have a negligible impact on the overall amount of tax revenue collected at the stage of final consumption.
- (9) The derogation will have 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 1553/89¹,

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

By way of derogation from point (19) of Article 287 of Directive 2006/112/EC, Croatia is authorised to exempt from VAT taxable persons whose annual turnover is no higher than the equivalent in national currency of EUR 45 000 at the conversion rate on the day of its accession.

Article 2

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

This Decision shall apply from 1 January 2018 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 the earlier.

Article 3

This Decision is addressed to the Republic of Croatia.

Done at ...,

For the Council

The President
