Applying for the special scheme for small businesses in other Member States

The special scheme for small businesses is intended for entrepreneurs who wish to use the VAT exemption for small businesses in other Member States where they do not have a permanent establishment.

An Estonian entrepreneur can use the special scheme in another Member State if:

1. the supply in the calendar year in the other Member State where the person wishes to use the tax exemption does not exceed the threshold for registration as a taxable person in that Member State;
2. the total supply in the calendar year throughout the European Union, including Estonia, does not exceed 100 000 euros.

A small business can submit the application for applying the tax exemption in another Member State in the e-services environment e-MTA. The decision on granting or refusing the tax exemption in the countries of operation is made within 35 working days and the information is communicated to the company by the Estonian tax authorities through the e-services environment e-MTA.

If a person who is exempt from tax in another country under the special scheme exceeds the VAT liability threshold there and is not a user of the OSS special scheme, they will be required to register as a VAT payer in that country. The most accurate information can be obtained from the tax authorities of the country where the threshold was exceeded.

If the small business tax exemption is applied for from a country where the company is already registered as a VAT payer, the small business must be removed from the VAT register in that country upon receiving permission to use the special scheme.

If the threshold of the special scheme is exceeded, the use of the special scheme in that country is suspended for one or two years, during that period one must continue to operate as a registered VAT payer or by using the OSS special scheme. After the end of this period and if the conditions required for tax exemption are met, the company can reapply for the implementation of the special scheme for small businesses.

If a user of the special scheme for small businesses makes transactions in a currency other than the euro, the exchange rate published by the European Central Bank on the first day of the calendar year will be used as the basis for both the special scheme application and the reports, or if no exchange rate has been published for that day, then the exchange rate of the next publication day.

Some Member States may also have established a gradual transition from exemption to taxation, which allows a company to continue to use the small business exemption for a limited period, provided that its supply does not exceed the Member State's exemption threshold by more than a specified percentage

rate.

It is also worth noting that there is no VAT exemption threshold in Spain, and therefore the special scheme for small businesses cannot be used there, and if supply is generated there, one must immediately register as a Spanish VAT payer.

The conditions for implementing the special scheme for small businesses in other countries can be found by country on the European Commission's website **“National VAT rules”**.

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