

Small companies and VAT: threshold increases to 25.000€

Small companies are VAT exempt, they should not charge VAT but on the other hand cannot deduct any VAT. As a consequence they escape from a number of administrative obligations. Companies having an annual turnover lower than 15.000€ are small companies for VAT purposes. This threshold is increased up to 25.000€ as from 1 January 2016. As a consequence there will be a lot more small companies. Time to take a look at who or what a small company is.

Advantages and disadvantages

Being a small company for VAT has both advantages and disadvantages.

Huge advantage is the exemption: a small company should not charge VAT on the services provided. It makes running a small company also much simpler from an administrative perspective, since the company should not charge VAT, should not pay VAT to the Treasury and should not file periodical VAT returns. Naturally, they are not exempt of all obligations and should file an application when they start or cease their activity, they should issue invoices and file an annual client listing.

There is of course also a disadvantage. The VAT exemption here also means (like in most cases) that the company does not have any right to deduct the VAT which it has paid to its suppliers.

What is a small company?

A small company is a company with an annual turnover which does not increase 25.000€.

The legal form of the company is irrelevant. This can be (i) an individual, (ii) a partnership, (iii) a capital company, a (iv) (not for profit) association or (v) a public body).

How to determine whether the annual turnover exceeds the threshold?

In order to determine the annual turnover, Belgian transactions which would be subject to VAT if performed by a normal VAT payer (not subject to the small companies scheme) are taken into consideration. The amount of these transactions without VAT is considered.

Also some exempt transactions are taken into consideration: export, intracommunity supplies, immovable property transactions, financial transactions, insurance and re-insurance transactions.

What if multiple persons perform an economic activity together?

In case multiple persons perform an economic activity together in joint ownership or as an association, the total annual of the turnover is considered.

When spouses each have a separate economic activity, the threshold is calculated for each of them separately, irrespective their nuptial conditions.

How about new companies?

Starting companies do not have certainty about the turnover they will realise and consequently do not know whether they will qualify as a small company. They can estimate the presumed turnover. If they start their activity during the year, the threshold is calculated accordingly.

Excluded companies and transactions

Can never benefit from the small companies scheme (even when their turnover is below the threshold):

- a VAT group;
- companies performing regularly real estate work;
- hospitality companies which have to use a registered cash register;
- companies making regular supply of old materials, unsuitable for re-use in the same state, of industrial and non-industrial waste, waste to be re-used, ...

Next to certain companies also some specific transactions are explicitly excluded from the scheme. A company will always have to charge VAT when (i) it sells a new building as occasional VAT payer, (ii) if it transfers real rights on immovable property, (iii) at the occasion of the supply of a new means of transport to another member state, (iv) when supplying cigarettes and tobacco, (v) when a fisherman sells his catch in the communal fish market) (vi) for transactions made by a VAT payer not established in Belgium and (vii) illegal transactions.

What is the direct consequence of the increase of the threshold?

Companies which had a turnover of less than 15.000€ (ex VAT) in 2015, can apply the exemption scheme as from 1 January 2016.

Companies having in 2015 a turnover of more than 15.000€ but less than 25.000€ can as an administrative admission apply the scheme as from 1 January 2016.

What should a company do which becomes 'small' due to the increase of the threshold?

The company does no longer has right to deduct VAT and have to make a revision of the previously deducted VAT.