

Small companies and VAT: an update

Small companies have less VAT obligations than big companies. They should also not charge VAT on their supplies or services. On the other hand they do not have right to deduct VAT. Since 1 April 2014 the threshold to be considered as a small company was increased from 5.580€ up to 15.000€. Consequently more companies qualify as small company. We have already explained the general rules in an earlier contribution. In the meanwhile the tax authorities have published more directives for these small companies. We concentrate on the most important points.

New threshold as from 1 April 2014

There was a lot of uncertainty whether the new threshold was indeed applicable as from 1 April 2014. After all, the law changes were not approved in due time by parliament. In the meantime this has been done, including the publication of the changes in the *Belgian Official Gazette*. So far for this controversy.

Several people performing one activity

If you perform an activity with one or more people *undividedly*, the threshold of 15.000€ applies to all people together. If you e.g. have a business together with your spouse, you can have a maximum turnover together of 15.000€ in order to qualify as a small company.

If you each have an own, separate activity, the threshold applies individually. This is also the case irrespective of your marriage system, also when you are married under common goods scheme.

From the normal scheme to the small companies scheme and vice versa

The small companies scheme is an optional regime. This means that companies with a turnover of less than 15.000€, which are a small company with right to the special exemption scheme, can still apply the general rules.

Following hypotheses may occur:

Up to now you were subject to the normal rules because you exceeded the previous threshold (5.580€), but now you remain under the threshold

This is the situation of a company which falls within the small companies scheme solely because of the increase of the threshold (= small companies scheme). You could still opt for the normal scheme until 1 June by notifying your option to the competent VAT office.

Your company has a turnover of less than 15.000€ during a given year

You will automatically be subject to the 'small companies scheme' as from 1 July of the year following the year in which you didn't exceed the new threshold. If you don't have 15.000€ turnover in 2014, you will be treated as a small company as from 1 July 2015. If you don't want this and you want to remain subject to the normal scheme, you should take action. Again you should notify your choice not to be subject to the exemption scheme to the VAT authorities. This should be done before 1 June of the given year (in our example 1 June 2015). This notification can be made by email or fax.

You expect to exceed the threshold in a certain year

If you expect that you won't attain a turnover of 15.000€ in 2014, you can apply with your competent VAT office to be considered as a small company as from 1 January 2015 (instead of 1 July 2015). You can make this application as from the fourth quarter, but before 15 December. You should mention the turnover of the first three quarters and your forecast for the last quarter.

You remain under the threshold, but you choose for the normal scheme

As we already mentioned, the exemption scheme is an optional scheme. You can always opt for the application of the normal rules. You can do so by registered mail to the competent VAT office. As from the start of the following month, you fall under the normal rules.

You fall within the small companies scheme, but during the year you exceed the threshold of 15.000€

If you exceed the threshold, you do not longer qualify for the small companies scheme. In this case, you are no longer a small company. Consequently you should notify your competent VAT office by registered letter. As from the transaction exceeding the threshold, you are subject to the normal rules. The previous transactions remain subject to the exemption scheme.

The VAT authorities still allow a small tolerance if you exceed the threshold occasionally and with maximum 10%. 'Occasionally' means only once: you can't exceed the threshold every year with 10%. For that given year you can obtain a turnover of 16.500€ and still apply the exemption scheme.

But: do not change every year

It is not the intention that the VAT payers change from year to year between the normal VAT scheme and the small companies scheme.

If you choose not to apply the exemption scheme, but you opt for the normal rules, you can only opt for the exemption scheme after three years. You can apply the small companies scheme again as from 1 January of the third year after the year where the option for the transfer to the normal scheme was applied.

Example

You ask to be subject to the normal rules as from 1 November 2014: you can be treated as small company as from 1 January 2017.

Also in this case you should turn to the competent VAT office. You do this by sending a registered letter before 1 December of the given year, in our example 1 December 2016. This is of course only possible if you (still) comply with the threshold obligation.