

EU VAT SME Scheme – Domestic Layer

This document should be read in conjunction with sections 5 and 6, and Chapter 5 of Part 10, of the Value-Added Tax Consolidation Act 2010, and Regulation (EU) No. 904/2010

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Table of Contents

1	Introduction	3
1.1	EU VAT SME Scheme	3
1.1.1	Domestic layer	3
1.1.2	Cross-border layer	3
1.2	Scope of the VAT Exemption	4
1.3	Other Member States' Schemes	4
1.4	Northern Ireland and UK Traders	4
2	Domestic SME scheme for Irish-established traders	4
2.1	Established in Ireland.....	4
2.2	Calculating Turnover.....	5
2.3	Ireland's Turnover Thresholds for registration	5
2.4	Other Registration Thresholds.....	7
2.5	Transactions not covered by the SME scheme	7
3	Registering for the scheme and reporting requirements	7
4	Leaving the scheme.....	7

1 Introduction

This Manual provides guidance on the operation of the SME (Small and Medium Enterprises) scheme for domestic traders (“domestic SME scheme”). In accordance with the scheme, qualifying traders with turnover below certain levels can trade exempt from VAT and without VAT registration. The arrangement is part of the EU VAT SME Scheme that came into effect across the EU from 1 January 2025.

Prior to 2025, Ireland already allowed VAT exemption for businesses whose turnover was below certain levels. This was permitted by the EU VAT Directive and commonly known as the ‘small business exemption’ or the ‘VAT registration thresholds’.

Under the domestic SME scheme, businesses established in Ireland whose turnover does not exceed the ‘[VAT registration threshold](#)’ generally do not have to register for VAT in Ireland. This manual explains the domestic layer of the SME scheme, including how [turnover is to be calculated](#) for the purposes of the registration threshold.

A separate manual outlining the cross-border layer of the SME scheme, can be found in the [Guidelines for Operation of EU VAT SME Scheme \(VSME\)](#).

1.1 EU VAT SME Scheme

From January 2025, the EU VAT SME Scheme is in operation. All EU Member States except Spain are participating. Each participating Member State operates the Scheme at both the domestic and cross-border level.

The SME scheme is optional for traders. If a qualifying trader decides to avail of the Scheme, the VAT exemption will apply to supplies covered by the Scheme. If a trader decides not to avail of the Scheme, the normal VAT regime will apply by default.

Traders can avail of one or both layers of the SME scheme, i.e., domestic only, cross-border only, or both.

1.1.1 Domestic layer

The Scheme provides that traders whose turnover is below a certain threshold (commonly known as the ‘VAT Registration Threshold’) in the Member State where they are established are not obliged to register for VAT in that Member State. Qualifying traders established in Ireland do not need to do anything to avail of the domestic layer of the scheme.

1.1.2 Cross-border layer

The Scheme allows qualifying traders whose EU turnover in the current and previous calendar year is not more than €100,000 to avail of the VAT registration thresholds in each of the participating Member States where they supply goods and services, thereby avoiding the need to register for VAT in those Member States. The aim is to reduce the administrative burden and compliance cost for SMEs established in the EU, and to encourage cross-border trade. Before the scheme was introduced, traders could only avail of registration thresholds in the Member State where they were established.

If they made supplies in another Member State (as non-established traders), they were generally required to register for VAT there, regardless of turnover.

1.2 Scope of the VAT Exemption

The VAT exemption under the SME Scheme applies to supplies (output transactions) of goods and services made by a trader. Purchases (input transactions) made by a trader are not covered by the SME Scheme. Therefore, certain activities, such as the acquisition of goods or services from abroad, could oblige a trader to register for VAT (irrespective of the trader's turnover level), which would then exclude the trader from the Scheme.

1.3 Other Member States' Schemes

Information on the cross border SME schemes operated in other participating Member States can be found via the [EU SME web portal](#).

1.4 Northern Ireland and UK Traders

In accordance with the terms of the Withdrawal Agreement and the Windsor Framework, traders established in the United Kingdom, including in Northern Ireland, are non-EU enterprises and the SME scheme is not available to them.

2 Domestic SME scheme for Irish-established traders

Only qualifying traders [established in Ireland](#) can avail of the Domestic SME scheme. This means that they are not required to register for VAT when their [turnover](#) is under the [thresholds](#) set in Ireland. Certain transactions as detailed [below](#) are not covered by the scheme.

2.1 Established in Ireland

The EU VAT SME Scheme applies only to traders established in the EU. Traders can avail of the domestic SME scheme only in the Member State where they are established.

A trader is considered established in a Member State if it has located the seat of its economic activity there. This is the place where the functions of the business's central administration are carried out. In the case of a natural person, it is generally where the person has their permanent address.

Traders can only be established in one Member State, although they may also have fixed establishments elsewhere. However, a fixed establishment is not sufficient to avail of the SME scheme which is only available to those who are established in a Member State.

In cases where an Irish-established trader becomes established in another Member State – for example by relocating the seat of its economic activity to that place – it will cease to be established in Ireland and, therefore, will no longer qualify to use Ireland's domestic SME scheme.

After this, if such a trader makes supplies in Ireland, it is obliged to register for VAT in Ireland or avail of the cross-border layer of the scheme through its 'new' Member State of establishment. Should the trader wish to avail of the domestic SME scheme in its 'new' Member State of establishment, it must follow the rules applicable in that Member State.

In cases where a trader relocates the seat of its economic activity (or permanent address in case of a natural person) to a non-EU country, the SME scheme will cease to apply to that trader and normal VAT rules apply.

2.2 Calculating Turnover

In accordance with the rules of the EU VAT SME Scheme, from 1 January 2025, for the purposes of the SME scheme, the calculation of a trader's annual turnover includes the following, exclusive of VAT:

1. Supplies of taxable goods and services;
2. Supplies of immovable goods;
3. Certain financial transactions; and
4. Insurance and reinsurance services.

However, where the transactions at 2 to 4 above are incidental transactions (see [Section 2.5](#)), they are disregarded when calculating turnover.

Transactions not included in the calculation of annual turnover include:

- Transfers of goods to a non-EU country without there being a supply. An example of when this might arise would be where goods are moved to form part of the trader's stock in a non-EU country.
- Disposals of tangible, or intangible, capital assets of an SME. An example of when this might arise would be where a tangible capital asset such as a computer, or a machine, used by the trader to carry out their economic activity, is sold. This sale is not included in the calculation of the annual turnover.

2.3 Ireland's Turnover Thresholds for registration

From 1 January 2025, the registration thresholds which apply in Ireland for the SME scheme are:

- €42,500 for traders supplying services only;
- €42,500 for traders supplying goods liable at the reduced or standard rates which they have manufactured or produced from zero rated materials;
- €85,000 for traders supplying both goods and services where 90% or more of the turnover is from the supplies of goods other than goods referred to above; and
- €85,000 for traders supplying goods only, other than in circumstances as mentioned above.

To qualify for VAT exemption under the domestic SME scheme, the annual [turnover](#) of a trader must not exceed the applicable threshold in the current and previous calendar years. Table 1 shows how this operates in a range of examples involving traders of goods.

Table 1

Example No	Goods Threshold	Annual turnover previous calendar year	Annual turnover current calendar year	Eligibility to apply the domestic SME Scheme
Example 1	€85,000	€55,000	€65,000	Eligible
Example 2		€86,000	€80,000	Not eligible
Example 3		€70,000	€88,000	Not eligible
Example 4		€90,000	€87,000	Not eligible
Example 5		€0	€68,000	Eligible
Example 6		€0	€87,000	Not eligible

Example 7

A plumber, established in Ireland, supplies plumbing services locally worth €30,000 annually. His supplies will be covered by the domestic SME scheme as his annual turnover is under the VAT threshold. He will not have any VAT registration or reporting obligations under the scheme. If he wishes, he may elect to register for VAT.

Traders are obliged to register from the moment their turnover exceeds the relevant VAT registration threshold. A trader is regarded as an accountable person immediately on completing a transaction that exceeds the threshold and must apply for VAT registration.

Example 8

A small manufacturer, established in Ireland, has made sales of goods worth €84,000 between 1 January and 30 September 2025. It then makes a sale worth €1,500. As the trader's annual turnover now exceeds the relevant sectoral goods threshold in the 2025 calendar year, it will now be excluded from the domestic SME scheme and is required to register for VAT, from the date of the €1,500 transaction.

2.4 Other Registration Thresholds

Separate to the SME Scheme, there are other registration thresholds that may require a trader to register for VAT. Such thresholds include:

- € 10,000 for taxable persons making mail-order or intra-Community distance sales of goods and cross-border telecommunications, broadcasting and electronic ('TBE') services into the State; and
- € 41,000 for persons making acquisitions from other Member States.

Details of registration thresholds are available on [Revenue's website](#).

2.5 Transactions not covered by the SME scheme

The following transactions are excluded from the application of the SME scheme:

- Occasional transactions, such as the supply of all, or part of, a building or land; and
- Exempt cross-border supplies of new means of transport made from one Member State to another.

Example 9

A sweet shop, established in Ireland, sells goods worth €70,000 per annum. In 2025, in a once off transaction, they sell a storage facility (an immoveable good) for €40,000. Under VAT on property rules, it is determined that the sale of this property is VAT exempt. The trader's total supplies of goods in 2025 is now €110,000, exceeding the goods threshold. However, as the sale of the storage facility is an incidental sale of immoveable goods, the proceeds from this sale are disregarded for the purposes of calculating turnover for the SME scheme. Therefore, the trader has not exceeded the threshold and may remain in the scheme.

3 Registering for the scheme and reporting requirements

Qualifying SMEs are not required to register for the domestic SME scheme. It will automatically apply to them and there are no reporting requirements.

Where such a trader subsequently engages in sales to another EU Member State, they should consult the [Guidelines for Operation of EU VAT SME Scheme \(VSME\)](#) as they may have to register for the cross-border layer of the scheme.

4 Leaving the scheme

A small enterprise may leave the domestic SME scheme voluntarily by electing to be an accountable person and registering for VAT in Ireland.