

Amendments to Microbusiness Tax Act (3/28/18)

This article explores changes to the microbusiness tax (MBT) scheme that apply this year and those applicable from 1 January 2019.

Key amendments

From 1 January 2018 an MBT payer's revenue is capped at €40,000 (down from €100,000). Exceeding the cap disqualifies the enterprise from the MBT scheme, and the excess attracts a surcharge.

A person may be employed by one microbusiness only.

Before entering into an employment contract, the MBT payer is required to obtain a written statement from the employee confirming they are not employed by another MBT payer.¹

The MBT payer is required to insert in employment contracts entered into after 2017 a clause describing his MBT payer status and a statement that the employee's personal income tax and mandatory national social insurance contributions are calculated by reference to the microbusiness's revenue and that the employee is free to join the national social insurance scheme.

The table below outlines the MBT treatment before and after these amendments.

MBT treatment up to 31.12.17	MBT treatment from 01.01.18
To qualify for the MBT scheme an enterprise's revenue should not exceed €100,000 in a calendar year. If the limit is exceeded the enterprise can no longer use the MBT scheme in the next tax year.	To qualify for the MBT scheme an enterprise's revenue should not exceed €40,000 in a calendar year. Any excess attracts a 20% MBT instead of the standard rate of 15%. The transition rules provide, however, that the 20% rate will not apply to MBT payers whose revenue does not exceed €52,000 in 2018 or 2019 and did not exceed €40,000 in the last two years.
There is no restriction on employment by multiple microbusinesses.	A person may be employed by one microbusiness only. The transition rules provide that persons who were employed by two or more microbusinesses on 31 December 2017 will be governed by this restriction from 1 January 2019.
The MBT payer need not insert in employment contracts a clause describing his MBT payer status or the MBT scheme.	The MBT payer is required to insert in employment contracts a clause describing his MBT payer status and the MBT scheme. This applies only to employment contracts entered into after 2017.
If a microbusiness has more than five employees in a given quarter, then a 2% surcharge will be added to the MBT standard rate of 15% for each extra employee.	A 2% surcharge will be added also for each person employed by two or more microbusinesses.

¹The State Revenue Service had undertaken to notify MBT payers by 1 February 2018 about any employees of the MBT payer that were employed by two or more microbusinesses on 31 December 2017.