

Submissions to HM Government of Gibraltar:

VAT Relief Mechanisms for Small and Medium-Sized Enterprises Under EU Law

Date: 23 February 2026

Purpose: This document presents an analysis of lawful mechanisms by which governments in the EU may reduce the burden of Value Added Tax (VAT) on small and medium-sized enterprises (SMEs) whilst maintaining full compliance with European Union State aid rules. Each proposal is grounded in primary EU legal sources and includes full eligibility criteria.

Whilst Gibraltar is not subject to the EU VAT regime, it is understood that it will be subject to EU State aid rules. Accordingly, any scheme designed to offset the direct effect of the Transaction Tax must be fully compliant with those rules.

This review is intended to provide HMGoG with an overview of existing VAT relief schemes within the EU and therefore may form the basis upon which HMGoG can immediately and justifiably implement a number of Transaction Tax relief regimes, with the confidence that they will be comparable to existing EU schemes (for which Gibraltar will not directly qualify). It is further intended to provide confidence that these schemes will not be challenged by the EU in due course, or, if challenged, can be robustly defended on a principled basis.

The EU provides funding and grant regimes to assist SMEs that fall outside of state aid rules. These are considered Section 6. In our view, the Government should consider the provision of this form of direct financial aid to Gibraltar-based businesses via a reconstituted Business Improvement District, wholly funded by Government, the details of which are set out below.

Executive Summary

This submission identifies five principal categories of lawful VAT relief mechanisms available to Member States:

1. **De minimis aid up to EUR 300,000** – direct grants, loans, guarantees and tax advantages within safe harbour thresholds (increased from EUR 200,000 as of 1 January 2024)
2. **SME VAT exemption scheme** – harmonised simplification under the VAT Directive for enterprises up to EUR 85,000 turnover
3. **Aid for cultural heritage and cultural purposes** – compatibility under Article 107(3)(d) TFEU and the General Block Exemption Regulation, with high thresholds (EUR 165m investment/EUR 82.5m operating)
4. **Deferred payment of VAT and VAT-related loans** – cash-flow relief structured as compatible State aid (de minimis or notified), with COVID-19 precedents demonstrating feasibility
5. **Postponed import VAT accounting and other VAT administrative measures** – cash-flow neutral mechanisms

6. **Additional State Aid Instruments for SMEs**

Each mechanism is examined with reference to:

- Applicable EU legal basis (Treaty articles, Regulations, Directives)
 - Eligibility criteria and thresholds
 - Conditions for lawful implementation
 - Procedural requirements (notification, transparency, cumulation rules)
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1. De Minimis Aid: EUR 300,000 Ceiling

Primary Regulation: Commission Regulation (EU) 2023/2831 of 13 December 2023 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid[6][7].

Entry into force: 1 January 2024

Period of application: Until 31 December 2030

Legal principle: Aid falling below certain thresholds is deemed not to fulfil all criteria of Article 107(1) TFEU (i.e., deemed not to distort competition or affect trade) and therefore does not require notification to the Commission.

1.2 Threshold and Ceiling

Regulation	Ceiling	Period
General de minimis (Regulation 2023/2831)	EUR 300,000	Three fiscal years
SGEI de minimis (Regulation 2023/2832)	EUR 750,000	Three fiscal years
Agricultural de minimis (Regulation 1408/2013)	Separate rules	Three fiscal years
Fisheries de minimis (Regulation 717/2014)	Separate rules	Three fiscal years

Table 1: De minimis aid ceilings by sector

The ceiling increased from EUR 200,000 (under previous Regulation (EU) 1407/2013) to EUR 300,000 effective 1 January 2024, representing a 50% increase to account for inflation[6][7].

1.3 Scope of Application

Article 1, Regulation (EU) 2023/2831:

De minimis aid applies to undertakings in **all sectors of the economy**, except:

- Primary production of agricultural products
- Fishery and aquaculture products
- Processing and marketing of agricultural/fishery products (in certain circumstances)
- Aid for export-related activities to third countries or Member States
- Aid contingent on use of domestic over imported goods

Separate accounts requirement: If an undertaking operates in both eligible and excluded sectors, aid may be granted only for eligible activities, and the undertaking must maintain separate accounts or otherwise ensure excluded activities do not benefit[6].

1.4 Eligible Forms of Aid

De minimis aid may take any form, provided it is **"transparent"** (i.e., gross grant equivalent calculable ex ante):

- Direct grants

- Interest rate subsidies
- Soft loans (conditions specified below)
- Guarantees (conditions specified below)
- Capital injections and risk finance measures (up to EUR 300,000)
- Tax advantages (reduction, exemption, deferral – provided benefit calculable)
- Other aid instruments with caps ensuring EUR 300,000 threshold not exceeded

1.5 Transparency Conditions

Article 4, Regulation (EU) 2023/2831:

For loans:

- Beneficiary not insolvent or in insolvency proceedings
- At least 80% of loan amount collateralised
- Loan does not exceed EUR 1.5 million (maximum term 5 years) or EUR 750,000 (maximum term 10 years)
- Gross grant equivalent calculated using applicable reference interest rate

For guarantees:

- Beneficiary not insolvent or in insolvency proceedings
- Guarantee covers maximum 80% of underlying loan
- Losses sustained proportionally
- Guaranteed amount does not exceed EUR 2.25 million (maximum term 5 years) or EUR 1.125 million (maximum term 10 years)
- Gross grant equivalent calculated using Commission safe-harbour premiums (Communication 2008/C 155/02)

For capital injections:

- Maximum EUR 300,000 injected

1.6 Definition of "Single Undertaking" (Linked Enterprises)

Article 2(2), Regulation (EU) 2023/2831:

Multiple enterprises are treated as a **single undertaking** if they are "linked enterprises" pursuant to Annex I of Commission Recommendation 2003/361/EC (SME definition):

Enterprises are linked where one:

- Holds majority voting rights in another
- Is authorised to appoint/dismiss majority of administrative, management or supervisory body
- Exercises controlling influence pursuant to contract
- Exercises control jointly with other enterprises
- Holds more than 50% of shares in another enterprise

Consequence: The EUR 300,000 ceiling applies to the entire group of linked enterprises, not per entity.

1.7 Calculating the Three-Year Period

Article 3(3), Regulation (EU) 2023/2831:

The decisive date is **when the undertaking obtains a legal right to receive the aid** under national law, not when aid is actually disbursed.

The three-year period is a **rolling period**: any three consecutive fiscal years.

Example: Aid granted in 2024, 2025, 2026 counts toward the same ceiling. Aid granted in 2021 (under old rules) falls outside the three-year window by 2024.

1.8 Cumulation Rules

Article 5, Regulation (EU) 2023/2831:

- De minimis aid may be **cumulated with SGEI de minimis aid** (subject to EUR 750,000 ceiling for SGEI activities)
- De minimis aid may **not** be cumulated with agricultural or fisheries de minimis aid
- De minimis aid for the same eligible costs may **not** be cumulated with other State aid if cumulation exceeds maximum permissible aid intensities under GBER or approved aid schemes

1.9 Transparency and Central Register

Article 6, Regulation (EU) 2023/2831:

From 1 January 2026: Member States must establish a **central register** at national or EU level recording:

- Beneficiary identification
- Aid amount (gross grant equivalent)
- Granting date and authority
- Aid instrument
- Economic sector

Member States must record aid **within 20 days of granting** and, if register maintained nationally, provide annual data to Commission by 30 June.

Until central register operational: Member States must:

1. Inform undertaking in writing/electronically of proposed aid amount
2. Require undertaking to declare all other de minimis aid received in previous three years in writing/electronically
3. Verify total aid does not exceed EUR 300,000 before granting

1.10 Application to VAT Relief

Member States may structure VAT relief as de minimis aid by:

- **Direct VAT rebates or reductions** (if gross benefit calculable and within EUR 300,000)
- **VAT payment deferrals** (interest benefit calculated as gross grant equivalent)
- **VAT-related soft loans** (meeting transparency conditions)
- **Tax credits offsetting VAT liability** (if benefit calculable)

Critical requirement: All de minimis aid granted to the undertaking in any form over three years must be tracked and cumulated to ensure EUR 300,000 ceiling not exceeded.

2. SME VAT Exemption Scheme

2.1 Legal Basis

Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (VAT Directive)[10][11].

Relevant Provisions:

- **Title XII, Chapter 1:** Special scheme for small enterprises
- **Articles 282-292:** Exemptions and graduated tax relief for small enterprises
- **Amended by Council Directive (EU) 2020/285** (effective 1 January 2025) introducing modernised SME scheme

2.2 Nature of Scheme

The SME VAT exemption is a **harmonised simplification measure** under the VAT Directive, **not State aid**. Member States may apply it within parameters set by EU law.

Effect:

- Small enterprises below national thresholds may be **exempted from charging and collecting VAT**
- Exemption reduces compliance burden but **sacrifices input VAT deduction right**
- Optional for eligible SMEs (right to opt for normal VAT arrangements)

2.3 Member State Flexibility

Article 283, VAT Directive:

Member States may:

- Exempt taxable persons whose annual turnover does not exceed national ceiling
- Grant graduated tax relief to taxable persons whose turnover exceeds exemption ceiling

Article 284, VAT Directive:

Member States may set exemption thresholds up to maximum ceilings specified in Directive.

Examples:

Member State	Maximum Threshold (EUR)
General EU minimum	5,000
Austria, Czech Republic, Hungary, Slovakia	35,000
Malta (goods supply)	37,000
Lithuania	29,000
Bulgaria	25,600

Poland	10,000
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Table 2: Selected national VAT exemption thresholds

2025 modernisation (Directive 2020/285):

- Maximum EU-wide threshold: EUR 85,000 annual turnover
- EU-wide turnover cap for cross-border exemption: EUR 100,000
- Allows non-established SMEs to benefit from exemption in Member State where supplies made

2.4 Calculation of Turnover

Article 288, VAT Directive:

Turnover comprises (exclusive of VAT):

- Value of taxed supplies of goods and services
- Value of transactions exempt with deductibility of input VAT (exports, intra-Community supplies, international transport, etc.)
- Value of certain other exempt transactions (intra-Community acquisitions, financial services)

Excluded: Disposal of tangible or intangible capital assets.

2.5 Effects of Exemption

Article 289, VAT Directive:

Exempt taxable persons:

- **Not entitled to deduct input VAT** (Articles 167-177)
- **May not show VAT on invoices**

Article 290, VAT Directive:

Exempt persons may **opt for**:

- Normal VAT arrangements (full VAT charging and input deduction)
- Simplified procedures under Article 281 (flat-rate schemes)

If opting for graduated tax relief, treated as subject to normal VAT arrangements.

2.6 Application to SMEs

Advantages:

- Eliminates VAT compliance burden (no VAT returns, no VAT accounting)
- Reduces administrative costs significantly
- Prices can be lower for final consumers (if SME passes on VAT saving)

Disadvantages:

- No input VAT deduction (disadvantageous if SME has high input costs or supplies to VAT-registered businesses)
- May be less competitive when supplying B2B clients who prefer VAT-invoiced supplies (to claim input deduction)

Strategic use:

- Best suited to SMEs with low input costs and B2C customer base
- Less suitable for SMEs in supply chains serving VAT-registered businesses

2.7 Interaction with State Aid Rules

The VAT exemption scheme is **not State aid** because:

- It is a harmonised EU measure available to all eligible SMEs in all Member States
- It does not confer selective advantage (applies generally to category defined by objective criteria)
- It is provided for in secondary EU legislation (VAT Directive)

Therefore, no notification or State aid compliance required.

3. Aid for Cultural Heritage and Cultural Purposes

3.1 Legal Basis

Treaty Provision: Article 107(3)(d) TFEU permits State aid "to promote culture and heritage conservation" where such aid does not adversely affect trading conditions and competition contrary to the common interest.

Secondary Legislation: Commission Regulation (EU) No 651/2014 of 17 June 2014 (General Block Exemption Regulation, "GBER"), as amended by Commission Regulation (EU) 2017/1084[8][9].

Relevant GBER Provisions:

- Article 1(1)(j): GBER applies to aid for culture and heritage conservation
- **Section 11 (Articles 53-54):** Specific provisions on aid for culture and heritage conservation

3.2 Compatibility and Exemption from Notification

Article 53(1), GBER:

Aid for culture and heritage conservation is **compatible with the internal market** within the meaning of Article 107(3) TFEU and **exempt from notification** under Article 108(3) TFEU, provided conditions laid down in GBER are fulfilled.

Consequence: Member States may grant cultural aid up to specified thresholds without prior Commission notification, provided all GBER conditions met.

3.3 Thresholds (Notification Exemption Ceilings)

Article 4(1)(s), GBER:

- **Investment aid for culture and heritage conservation:** EUR 165 million per project
- **Operating aid for culture and heritage conservation:** EUR 82.5 million per undertaking per year

Aid exceeding these thresholds must be individually notified to the Commission.

3.4 Eligible Cultural Purposes and Activities

Article 53(2), GBER:

Aid must be granted for the following purposes:

1. Museums, archives, libraries, artistic and cultural centres/spaces, theatres, cinemas, opera houses, concert halls, other live performance organisations, film heritage institutions and similar artistic and cultural infrastructures, organisations and institutions
2. Tangible heritage including all forms of movable or immovable cultural heritage and archaeological sites, monuments, historical sites and buildings; natural heritage linked to cultural heritage or formally recognised as cultural/natural heritage by competent public authorities

3. Intangible heritage in any form, including folklorist customs and crafts
4. Art or cultural events and performances, festivals, exhibitions and similar cultural activities
5. Cultural and artistic education activities and promotion of understanding of importance of protection and promotion of diversity of cultural expressions through educational and public awareness programmes, including using new technologies
6. Writing, editing, production, distribution, digitisation and publishing of music and literature, including translations

3.5 Forms of Aid

Article 53(3), GBER:

Aid may take the form of:

- **Investment aid** (including aid for construction or upgrade of cultural infrastructure)
- **Operating aid** (covering ongoing costs of cultural institutions/activities)

3.6 Eligible Costs for Investment Aid

Article 53(4), GBER:

- Costs for construction, upgrade, acquisition, conservation or improvement of infrastructure, if at least 80% of time or space capacity per year used for cultural purposes
- Costs for acquisition, leasing, transfer of possession or physical relocation of cultural heritage
- Costs for safeguarding, preservation, restoration and rehabilitation of tangible and intangible cultural heritage, including extra costs for storage under appropriate conditions, special tools, materials, documentation, research, digitisation and publication
- Costs for improving accessibility of cultural heritage to the public, including digitisation, new technologies, accessibility for persons with special needs (ramps, lifts, braille, hands-on exhibits), promoting cultural diversity
- Costs for cultural projects/activities, cooperation and exchange programmes and grants, including selection procedures, promotion costs, and costs incurred directly as result of project

3.7 Eligible Costs for Operating Aid

Article 53(5), GBER:

- Cultural institution's or heritage site's costs linked to continuous or periodic activities including exhibitions, performances, events and similar cultural activities occurring in ordinary course of business
- Costs of cultural and artistic education activities and promotion of understanding of importance of protection and promotion of diversity of cultural expressions through educational and public awareness programmes, including new technologies
- Costs of improving public access to cultural institution or heritage sites and activities, including digitisation, new technologies, accessibility for persons with disabilities
- Operating costs directly relating to cultural project or activity: rent/lease of real estate and venues, travel expenses, materials and supplies, architectural structures for exhibitions and stage sets, loan/lease/depreciation of tools/software/equipment, access rights to

copyright works and protected contents, promotion costs, costs incurred directly from project or activity. Depreciation and financing costs only eligible if not covered by investment aid.

- Costs for personnel working for cultural institution/heritage site or project
- Costs for advisory and support services provided by outside consultants and service providers, incurred directly as result of project

3.8 Aid Intensity and Operating Profit Deduction

Article 53(6) and (7), GBER:

For investment aid:

- Aid amount must not exceed difference between eligible costs and operating profit of investment
- Operating profit must be deducted from eligible costs **ex ante** (based on reasonable projections) or through **claw-back mechanism**
- Operator of infrastructure allowed to keep reasonable profit over relevant period

For operating aid:

- Aid amount must not exceed what is necessary to cover operating losses and reasonable profit over relevant period
- Ensured ex ante (reasonable projections) or through claw-back mechanism

Article 2(39), GBER – Definition of "operating profit":

Difference between discounted revenues and discounted operating costs over economic lifetime of investment (where positive). Operating costs include personnel, materials, contracted services, communications, energy, maintenance, rent, administration, but exclude depreciation charges and financing costs if covered by investment aid. Discounting using appropriate discount rate allows reasonable profit.

3.9 Exclusions

Article 53(9), GBER:

Aid to **press and magazines** (whether print or electronic) is **not eligible** under this Article.

3.10 Application to SMEs and VAT Relief

SMEs operating in cultural and heritage sectors may benefit from:

- **Direct grants** for cultural activities, heritage conservation, cultural tourism, traditional crafts, cultural events
- **Subsidised loans and guarantees** for cultural infrastructure investment
- **Tax measures** reducing fiscal burden (including measures indirectly easing VAT burden by freeing cash flow)

Key requirement: Aid must be granted for **eligible cultural purposes** (Article 53(2)) and comply with **aid intensity** and **eligible costs** provisions (Articles 53(4)-(7)).

State aid compatibility: Cultural aid under GBER is compatible with internal market and does not require notification if under thresholds and conditions met.

4. Deferred Payment of VAT

4.1 Legal Basis and Feasibility

Finding: VAT payment deferral is lawful and feasible when structured as compatible State aid, but is not automatically provided under EU VAT law. Member States may introduce targeted VAT deferral schemes which must comply with State aid rules^{[1][2]}.

Treaty Provision:

- Article 107 TFEU prohibits State aid which distorts competition unless compatible under Article 107(2) or 107(3)
- Article 108 TFEU requires notification of new State aid measures to the European Commission (with exceptions for de minimis and block-exempted aid)

4.2 Precedent: COVID-19 VAT Deferral Schemes

During the COVID-19 pandemic, the European Commission approved multiple Member State schemes deferring VAT payments as compatible State aid, demonstrating that structured VAT deferral is permissible^{[3][4]}.

Example – Denmark 2020:

Danish authorities introduced an interest-free VAT loan scheme allowing SMEs to obtain loans equal to previously paid VAT, with extended repayment periods^[5]. This was approved as temporary State aid under the Commission's Temporary Framework for COVID-19 measures.

4.3 Implementation Pathways

Member States may structure VAT deferral through:

- **De minimis aid** – if the gross grant equivalent (calculated as the interest benefit) falls within the EUR 300,000 ceiling over three years (see Section 1)
- **Notified State aid** – larger schemes notified to and approved by the European Commission under Article 107(3)(b) (serious disturbance in the economy) or 107(3)(c) (facilitate development of economic activities)
- **General Block Exemption Regulation (GBER)** – if structured as SME aid, regional aid, or aid to remedy serious disturbance (though direct VAT deferral is not explicitly covered in current GBER categories)

4.4 Eligibility Criteria

If structured under **de minimis** (Commission Regulation (EU) 2023/2831):

- Maximum EUR 300,000 gross grant equivalent per single undertaking over any three fiscal years
- Must be transparent aid (benefit calculable ex ante)
- Excluded sectors: primary production of agricultural/fishery products, export-related activities
- Requires written notification to beneficiary and tracking of cumulative aid received

If structured as **notified aid**:

- Must meet Commission compatibility criteria (necessity, proportionality, appropriateness)
- Requires formal notification under Article 108(3) TFEU
- No implementation until Commission approval (standstill obligation)

4.5 Conditions and Limitations

- Interest benefit must be calculated using applicable reference rates published by the Commission
 - Aid cannot be limited to domestic goods or services
 - Aid cannot be contingent on export performance
 - Cumulation with other State aid must not exceed maximum permissible aid intensities
 - Member State must maintain central register of aid granted (mandatory from 1 January 2026)
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5. Postponed Import VAT Accounting and Other Administrative Measures

5.1 Postponed Import VAT Accounting

Legal Basis: Articles 85-89 and Article 211, VAT Directive 2006/112/EC[10][11].

Nature: Member States have discretion under VAT Directive to determine conditions and payment modalities for import VAT.

Mechanism:

Import VAT is **reported as both output and input VAT on the same periodic VAT return**, rather than paid at border to customs authorities[12][13].

Effect:

- **Cash-flow neutral** for businesses entitled to input deduction
- Eliminates upfront cash outlay for import VAT (significant benefit for importers with limited working capital)
- No physical payment to revenue authority (similar to reverse charge mechanism)

Distinction from VAT deferral:

- **Postponed accounting:** VAT reported on return; no payment required if fully deductible (net zero effect)
- **VAT deferral:** VAT payment due date delayed; payment still required later[13]

5.2 Member State Implementation

Article 211, VAT Directive: Member States may provide that import VAT payable by taxable person is to be declared on periodic VAT return.

Current practice (examples):

- **Belgium:** Postponed import VAT available after authorisation (licence E.T. 14.000); no guarantee required; available to UK and non-EU businesses filing periodic returns[12]
- **France:** Postponed accounting available to non-EU businesses with fiscal representative having Authorized Economic Operator (AEO) status; restricted to monthly VAT filers (triggers Immediate Supply of Information reporting obligation)[12]
- **Germany:** Deferred payment scheme available (may require bank guarantee); import VAT deductible on return covering import date[12]
- **Netherlands, Ireland, others:** Widespread availability of postponed accounting for registered importers

5.3 Eligibility and Conditions

Typically requires:

- VAT registration in Member State of import
- Authorisation or licence from tax authorities (application process)

- Periodic VAT return filing obligation (monthly or quarterly)
- Possibly guarantee or financial security (country-dependent)
- Customs and tax compliance record

5.4 Benefit to SMEs

- **Eliminates cash-flow burden** of paying import VAT at border and waiting for refund via VAT return
- Particularly beneficial for SMEs with limited working capital
- Avoids financing costs associated with bridging cash-flow gap

5.5 State Aid Assessment

Postponed import VAT accounting is **not State aid** because:

- It is a payment modality provided for in VAT Directive
- It does not reduce the amount of VAT ultimately due (net effect zero if input deduction available)
- It applies generally to all registered importers meeting conditions (not selective)
- It is an administrative simplification measure, not an economic advantage

5.6 Other VAT Administrative Measures

Bad debt relief (Article 90, VAT Directive):

Member States may allow taxable persons to reduce VAT remitted where customer fails to pay (bad debt). This is a **recovery mechanism**, not State aid, provided it applies generally.

Accelerated VAT refund procedures:

Some Member States offer expedited VAT refund processing for SMEs or certain sectors. Provided this does not involve preferential treatment (selectivity), it is an administrative simplification, not State aid.

Simplified VAT accounting (Article 281, VAT Directive):

Member States may apply simplified procedures (flat-rate schemes) for charging and collecting VAT for small enterprises, provided they do not lead to VAT reduction. These are **administrative simplifications** permitted under VAT Directive.

6. Additional State Aid Instruments for SMEs

6.1 Regional Aid

Legal Basis: Section 1 (Articles 13-15), GBER[8][9].

Scope: Investment aid for initial investment or new economic activity in **assisted areas** (regions designated on approved regional aid map pursuant to Article 107(3)(a) and (c) TFEU).

Thresholds (Article 4(1)(n), GBER):

- Regional investment aid: EUR 225 million per project (EUR 300 million for regional operating aid schemes)

Eligibility:

- Investment in tangible and intangible assets for new establishment, capacity extension, diversification, or fundamental change in production process
- Aid intensity varies by region (10%-50% depending on regional aid map)
- SME bonus: +20 percentage points for small enterprises, +10 for medium enterprises

Application to SMEs and VAT:

Regional aid supports **investment** (capital expenditure), not ongoing costs like VAT. However, regional investment aid frees internal funds which can be used for all business purposes, indirectly easing fiscal burden including VAT obligations.

6.2 SME Investment Aid

Legal Basis: Article 17, GBER[8][9].

Scope: Investment aid to SMEs for initial investment or new economic activity (not limited to assisted areas).

Aid intensity (Article 17(4), GBER):

- Small enterprises: 20% of eligible costs
- Medium enterprises: 10% of eligible costs
- May be increased by 15 percentage points if investment in assisted area (cumulation with regional aid intensity)

Eligible costs: Tangible and intangible assets.

Application: Similar to regional aid – supports investment, indirectly easing overall financial pressure.

6.3 Aid for SME Access to Finance (Risk Finance)

Legal Basis: Section 3 (Articles 21-23), GBER[8][9].

Scope: Equity, quasi-equity, loans, guarantees to eligible SMEs (including innovative SMEs and small mid-caps).

Thresholds:

- Maximum investment per target undertaking: EUR 15 million per year

Application: Provides working capital and financing for SMEs, which can be used for any business purpose including meeting tax obligations.

6.4 Training Aid

Legal Basis: Article 31, GBER[8][9].

Scope: Aid for training projects (general or specific training).

Aid intensity: 50%-70% of eligible training costs (higher for SMEs and disadvantaged workers).

Application: Reduces training costs, freeing funds for other purposes.

6.5 Innovation Aid for SMEs

Legal Basis: Article 28, GBER[8][9].

Scope: Aid for innovation advisory services, innovation support services, lending/secondment of highly qualified personnel.

Aid intensity: 50%-100% depending on activity and enterprise size.

Application: Supports innovation activities, indirectly easing financial burden.

6.6 Cumulation and Combination

Article 8, GBER:

GBER aid may be cumulated with:

- Other GBER aid (different eligible costs or different identifiable eligible costs within same project)
- De minimis aid (provided cumulation does not exceed maximum aid intensity)
- Other State aid (provided cumulation does not exceed maximum aid intensity)

Critical principle: Total aid (from all sources and instruments) for **same eligible costs** must not exceed applicable aid intensity under GBER or approved individual aid decision.

6.7 Implementation in Gibraltar – a Reconstituted Business Improvement District (“BID”)

HMGoG should constitute a fund to provide direct financial assistance to SMEs in accordance with the same rules that permit the EU to provide such funding and to the same levels. The fund would be available to fund capital investment, infrastructure projects, training, education, cultural and heritage preservation, and new economic activity. Our suggestion is to reconstitute the BID fully funded by Government. The BID is an existing Government commitment that already has legislation in place that predates recent developments in relation to the Treaty and the application of state aid rules. We would be happy to provide you with our suggestions as to how this new BID could be funded without drawing on exiting Government budgets and income streams.

7. Summary Table of Mechanisms

Mechanism	Legal Basis	Ceiling/Threshold	Notification Required?
De minimis aid (general)	Regulation (EU) 2023/2831	EUR 300,000 over 3 years	No
SGEI de minimis aid	Regulation (EU) 2023/2832	EUR 750,000 over 3 years	No
SME VAT exemption	Articles 282-292, VAT Directive 2006/112/EC	National thresholds up to EUR 85,000	N/A (not State aid)
Cultural/heritage aid	Article 107(3)(d) TFEU; Articles 53-54 GBER	EUR 165m (investment) / EUR 82.5m (operating) per project/undertaking	No (if under threshold)
VAT payment deferral	Articles 107-108 TFEU; Regulation 2023/2831 (if de minimis)	EUR 300,000 (if de minimis)	No (if de minimis); Yes (if notified aid)
Postponed import VAT	Article 211, VAT Directive 2006/112/EC	No ceiling (administrative measure)	N/A (not State aid)
Regional investment aid	Articles 13-15 GBER	EUR 225 million per project; 10-50% intensity + SME bonus	No (if under threshold)
SME investment aid	Article 17 GBER	10-20% of eligible costs	No (if under threshold)
SME access to finance	Articles 21-23 GBER	EUR 15 million per year per undertaking	No (if under threshold)

Table 3: Summary of VAT relief and SME support mechanisms

References

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[9] Commission Regulation (EU) 2017/1084 of 14 June 2017 amending Regulation (EU) No 651/2014. *Official Journal* L 156, 20.6.2017, p. 1.

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N.B. This submission results of the research and discussions of business organisations, businesses and individuals who have taken time and effort to identify existing EU schemes versions of which can be applied to Gibraltar. This submission has been written up with the assistance of various AI tools as well as human research and verification. Whilst we have made every effort to ensure that the contents are correct and verified as such, State Aid and VAT rules are hugely complex would recommend that all aspects of this proposal are rechecked and verified. This submission is not legal or other advice and should not be relied upon as such.