



UNION EUROPEENNE DE L'ARTISANAT ET DES PETITES ET MOYENNES ENTREPRISES
EUROPÄISCHE UNION DES HANDWERKS UND DER KLEIN- UND MITTELBETRIEBE
EUROPEAN ASSOCIATION OF CRAFT, SMALL AND MEDIUM-SIZED ENTERPRISES
UNIONE EUROPEA DELL'ARTIGIANATO E DELLE PICCOLE E MEDIE IMPRESE

Mr Peer Steinbrück
Federal Minister of Finance
Wilhelmstraße 97
10117 Berlin

Brussels, 13th December 2006
Prot. N. 1298/GH/FL

Sir,

Re: "VAT package" standstill at the Economic and Financial Affairs Council

I am writing to you on behalf of UEAPME, the European SME employers' organisation representing the interests of European crafts, trades and SMEs at EU level. As the European SME umbrella organisation, UEAPME incorporates 81 member organisations and represents more than 11 million enterprises, which employ around 50 million people across Europe. Our German members are ZDH and BDS. UEAPME is a recognised European Social Partner.

I would like to bring to your attention an issue that is crucial for European SMEs and that is related to the discussions on Value Added Tax (VAT) at the Economic and Financial Affairs (ECOFIN) Council.

As you are undoubtedly aware, the ECOFIN has been considering for the past three years a package of measures aimed at simplifying VAT arrangements for businesses, the so-called "VAT package". This set of rules is unfortunately blocked at the moment, as the latest ECOFIN meeting on 28 November in Brussels could not reach consensus on this point. My understanding – and please do correct me if I am wrong – is that the German government is seeking support for its own "reverse charge" VAT collection scheme. Failing this support, your Government seems unwilling to approve the "VAT package" as it stands.

Sir, I must express my deep concern in this respect, and I call upon your Government to cease this blockade as soon as possible.

I would like to draw to your attention the importance of the "VAT package" for small businesses doing cross-border trade in the European Union. While there is a common VAT in the European Union, small businesses are still subject to up to 25 different administrative

systems and collection formulas. This triggers unbearable compliance costs for small businesses, and acts as a *de facto* barrier to cross-border trade in the internal market.

Part of the “VAT package” contains proposals for simplification of cross-border arrangements, aiming at creating a “one-stop shop” scheme to simplify registration and declaration of VAT by businesses in their home country for activities in Member States in which they have no base. This proposal would dramatically diminish red tape by ensuring a single set of VAT procedures for SMEs, no matter where their services are provided.

Similarly, onerous procedures on VAT refunds could be simplified by changing the place of taxation from the place where the supplier is located to the place where the customer is located. This plan, which is part of the “VAT package”, would make it easier to collect refunds on VAT for cross-border business.

The only positive outcome from the latest ECOFIN meeting was the renewal of the so-called “e-commerce directive”, the lack of which would have endangered the very existence of a thriving and growing economic sector.

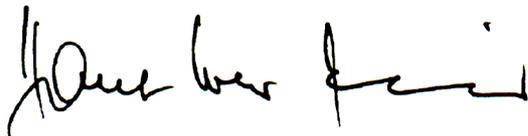
Sir, the ECOFIN basically agreed to disagree on the “VAT package”, postponing a “comprehensive solution” up to June 2007 – but European small businesses have been curbed by the existing regulatory patchwork long enough. Your Government bears a key responsibility in this respect, both as unreceptive to the “VAT package” in the near past and as holder of the Presidency of the European Union in the near future.

At UEAPME, we are disappointed to see Member States paying lip service to the mantra of the Lisbon “growth and jobs” strategy and the “think small first” principle – and then spending their best efforts to pursue narrow-minded national interests. I trust you and your Government are not willing to set yet another bad example in this respect.

Sir, your blockade of the “VAT package” is a very worrying signal for European businesses. I urge once again you and your Government to cease this behaviour that is, in my humble opinion, both irresponsible and counterproductive.

As a German craftsman and as Secretary General of the biggest SME employers’ organisation in the EU, I do hope you will act to set your record straight.

Yours sincerely,



Hans-Werner Müller
Secretary General