



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE RELEASE

#### **European SMEs put forward solutions for incoherencies in EU’s tax system**

**Brussels, 10th March 2003.** On the occasion of the second craft and SME Summit in Rome, organised by UEAPME, the European federation of SME employers, representatives of national SMEs association in Europe unanimously adopted a declaration on European taxation policy recommending concrete measures to tackle the EU’s inconsistent fiscal system.

Amongst the elements that have to become part of a European tax reform policy, European SMEs stressed on the need to reduce the high compliance costs of direct and indirect taxation system for cross border business. In that perspective, a pilot project for Home State Taxation (corporation tax and income tax) should be put in place for all SMEs including eventual partnerships. Additionally, a single point of compliance in the VAT system for companies without permanent establishments in other countries should be determined and the administrative obligations inherent to the VAT systems should be entirely harmonised.

As regards the reduction of the tax wedge between declared and undeclared work in the labour intensive sector in order to make the shadow economy less attractive, European SMEs called on Member States to vote in favour of the indefinite extension of the current experiment on reduced VAT rates to all affected services. Furthermore, the adopted document insists on a reduction of non-wage labour cost for labour intensive services at least for the lower end of the labour market and on a shift of the financial burden for social security systems from labour to other bases such as direct contributions from the beneficiaries of the system.

Finally, the national SME associations urged the European Convention drafters to provide new instruments that would enable the necessary tax reforms. “Unanimity voting in all tax areas is the major obstacle to a European tax reform. Therefore, we ask the European Convention and the head of States to produce the needed instruments so as to allow progress in tax policy” **Hans Werner Müller**, UEAPME’s secretary general, argued.

In order to achieve progress, European SMEs demand an extension of qualified majority voting to all areas of tax policy that have direct influence on the functioning of the Internal Market. Moreover, the new treaty should allow the Euro Zone countries to progress in taxation issues, if there is no negative influence on the Internal Market regarding Member States, which are outside of the Zone.

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