



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE RELEASE

#### **UEAPME: lack of progress regarding reduced VAT proposal putting EU economy in danger**

**Brussels, 17<sup>th</sup> September 2003.** “EU Finance Ministers’ failure to make progress on the reduced VAT proposal is jeopardizing the EU economy in general and European SMEs in the labour intensive services in particular” **Hans Werner Müller**, Secretary General of the European SME employers’ association (UEAPME) said today. Commenting on the outcome of the informal ECOFIN meeting in Stresa, Müller argued that the Ministers missed out on an opportunity to agree on the use of an instrument that not only helps fighting the shadow economy “but also contributes significantly to the creation of employment”.

Indeed, several industry surveys showed that the lowered VAT rate experiment had a positive impact on employment and economic growth in the home renovation and repair sector in France, Italy and the Isle of Man. Additionally, in the Netherlands, employment rose by 15% to 20% in the industry sectors participating in the reduced VAT experiment. Therefore, UEAPME urges the ECOFIN to find an agreement that will be beneficial to the employment situation in the EU.

UEAPME and its branch organisations are now concerned that the lack of an agreement on the list of services that will benefit from a lowered VAT rate combined with the absence of follow up measures for the reduced VAT experiment will have catastrophic results on economic growth in labour intensive sectors such as the construction sector. Indeed, if no agreement is found and no follow up measures are established the sectors participating in the experiment would face a return of high VAT rates at the end of 2003. This would lead to an increase of unemployment and an abrupt stop of economic growth.

Finally, UEAPME welcomes the Italian Finance Minister’s initiative to launch a plan against excessive regulation. Giulio Tremonti’s recognition that excessive regulation is clumping EU SMEs with excessive financial costs is a positive sign that the EU decision makers will finally begin tackling the red tape problem- a problem that UEAPME has repeatedly put forward in the last years.

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