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Press Release

FOR IMMEDIATE RELEASE

UEAPME urges ECOFIN to prolong reduced VAT experiment until agreement on Commission’s proposal is reached

Brussels, 30th October 2003. In a letter sent to the current ECOFIN president Mr. Giulio Tremonti today, UEAPME, the European SMEs employers’ association, has urged the EU’s Council of Finance Ministers to allow a prolongation of the VAT experiment on labour intensive services. The association argues that the failure to make progress on the Commission’s reduced VAT rate proposal is endangering the labour intensive service sectors of the 9 countries participating in the experiment. The experiment will formally end in December if no follow-up measures are taken.

“For the sake of the economic health of these labour intensive sectors, we have to make sure that the experiment does not come to an abrupt end at the end of this year. It would be unfair to punish these sectors for the lack of progress made by the ECOFIN on the list of services and products to benefit from permanent reduced VAT rates” **Hans Werner Müller**, UEAPME’s Secretary General said.

UEAPME and its branch organisations are concerned that the absence of follow-up measures for the reduced VAT experiment will have catastrophic results on economic growth in labour intensive sectors and the economy in general. Indeed, if the ECOFIN fails to prolong the experiment the participating sectors would face a return of high VAT rates at the end of 2003.

This situation would have dramatic consequences for Europe’s plans to kick-start its economy. Indeed, an increase in the VAT rate in the labour intensive sectors would immediately lead to a reduction of employment. This would notably affect the construction sector, which is one of the driving sectors of the EU economy.

Secondly, ending the experiment would have a strong backlash on the efforts to fight undeclared work. National reports on the experiment have demonstrated that reduced VAT can be an efficient instrument to fight undeclared work- one of the Italian presidency’s priorities. Therefore, UEAPME urges the ECOFIN to allow a prolongation of the experiment until a final solution regarding the Commission’s proposal is found.

UEAPME also warns Member States against seeking a maximalist position in the current debate on the Commission’s reduced VAT proposal. “Some countries are impeding the possibility of a compromise, by seeking to favour their particular interest. This attitude is regrettable and against their own interest as these countries run the risk of getting no reduced VAT rate for any of the sectors they demand” Müller concluded.

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