



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE RELEASE

UEAPME welcomes European Commission’s support for Home State Taxation schemes and reduced VAT rates experiment

Brussels, 18th December 2003. UEAPME, the European SMEs employers’ association, welcomes the Commission’s support to implement pilot projects on Home State Taxation schemes for SMEs involved in cross border business. “Thanks to the European Commission’s support, the system of Home State Taxation can now become a reality for SMEs in Europe. Once this system is in place it will significantly help to diminish the obstacles SMEs face in cross-border business” **Paul Reckinger**, UEAPME’s president and owner of a heating company in Luxemburg said today.

The European Commission announced at the European Conference on Company Taxation earlier this month that it would present guidelines or recommendations for such a project early next year. These guidelines will help Member States to develop the project and will ensure that minimum standards for such agreements are present. This is necessary so that the agreements are comparable, as they will be made on a bilateral or multilateral basis between Member States.

The system of Home State Taxation means that an SME can calculate the company taxation for foreign establishments under the rules of its home state as a consolidated tax base. This tax base will be divided between the involved states under fixed rules and then taxed according to the tax rate of the different states. The implementation of this model will allow SMEs to drastically reduce their compliance costs for company taxation, which are still one of the major obstacles for SMEs carrying out cross border business in the internal market.

UEAPME and its Member Organisations support this development and are ready to co-operate with the Member States in the design of such pilot projects.

Finally, the SME association is relieved that the Commission ultimately decided to follow the demands made by the ECOFIN, UEAPME and the European Parliament with regard to a prolongation of the experiment on reduced VAT rates for labour intensive sectors. The Commission proposal, which was officially adopted yesterday in the Council, will help the EU to kick-start its economy by preserving the jobs produced by this measure and creating new ones.

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