



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE RELEASE

“Support Commission’s Home State Taxation system”, SMEs tell Finance Ministers

Brussels, 11 June 2004 Today, UEAPME and national SME representative organisations called on the EU’s Finance Ministers to support the experimental application of Home State Taxation for SMEs in the EU. Currently, Member States’ officials at the Ecofin’s working Group on direct taxation are blocking the implementation of the experiment, which was proposed by the European Commission, because they claim it would be too complicated to be carry out.

“It is unacceptable that bureaucrats should reject an initiative that could lift a major barrier to the expansion of SMEs’ transnational activities. At the very least the proposal must be put on the agenda of the Finance Ministers, who should assess whether the project is feasible or not” said **Hans-Werner Müller**, Secretary General of UEAPME.

The concept of Home State Taxation would allow businesses to calculate their consolidated tax base at EU level according to the rules of the Member State where their headquarters are based. National tax authorities would then divide the tax base under fixed rules between the involved states.

SMEs would particularly benefit from a Home State Taxation system because of the specific tax problems they encounter when engaging in cross-border and international activities. For instance, tax compliance costs in an international context are inversely proportional to the size of the company and are often, therefore, disproportionately high for SMEs. Tax related compliance costs for small businesses are up to 100 times higher than for large corporations. Furthermore, the administrative tax formalities and bookkeeping requirements are harder to sustain for SMEs than for larger enterprises.

UEAPME now hopes that the EU Finance Ministers will overrule the initial assessment made by national ministries’ officials and will support the system, which would considerably boost cross-border activities for SMEs. The association therefore calls on the European finance authorities to agree on a framework that would allow the implementation of such a pilot project by bilateral or multilateral agreement between Member States.

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