



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE RELEASE:

Home state taxation experiment crucial to reducing costs for SMEs

Brussels, 1 March 2005 UEAPME, the European association for small and medium business and crafts, called for the proposed pilot scheme for home state taxation to be included on the Lisbon Strategy Action Plan at a meeting with DG Taxation and Customs on Monday.

The pilot scheme, under which SMEs will be able to apply the company tax rules of their residence state to their operations and subsidiaries in other member states, would greatly improve the operating environment for SMEs engaged in cross border activities. DG Taxud confirmed that the scheme is on the Commission’s agenda, however UEAPME is concerned that it will become sidelined unless it is included, alongside the other taxation priorities, on the Lisbon Action Plan.

“Small and medium businesses face a number of obstacles to operating on a cross border basis, not least high tax compliance costs,” said **Hans-Werner Müller**, UEAPME Secretary General. “Allowing SMEs to calculate their tax due in different member states on the basis of one set of rules will greatly simplify the process, reduce business costs and, as a result, act as an incentive for small businesses to engage more widely throughout the internal market.”

In general, compliance costs are proportionately higher for SMEs than for large companies, however the divergence in costs is significantly accentuated between firms with cross border operations, as a recent Commission survey showed. Small businesses operating cross border must allocate up to 2,5% of their turnover to tax compliance, compared to just 0,02% for large firms. The resulting negative impact on the ability of SMEs to generate growth and jobs is clear.

Given the fundamental importance of SMEs as the main drivers of EU growth, which is now an accepted part of the Lisbon Strategy, removing the barriers to their effective operation is crucial to the economic success of the Union. The proposed pilot scheme would be an important step in that direction and it should therefore be included as a key priority of the Lisbon Action Plan.

“The home state taxation scheme is crucial for the ability of SMEs to operate efficiently in the common market and, as such, for the overall economic potential of the EU. The Commission and the member state governments must recognise this and implement the scheme without delay,” concluded Mr Müller.

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