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Press Release

FOR IMMEDIATE ISSUE

EcoFin procrastination on VAT will dent consumer confidence

Brussels, 6 December 2005 The failure by EU Finance Ministers to reach an agreement on extending the reduced VAT package again today (Tuesday) has been criticised by UEAPME, the European small and medium business organisation.

“By passing the buck to the European Council on the VAT package, EU Finance Ministers have shown, once again, an inability to overcome national rivalries. This perpetual procrastination and the uncertainty it creates is damaging for consumer confidence and for small businesses. We are on the last grains of sand: if no decision is reached by the Heads of State, there will be an instantaneous rate hike on New Year’s Day, plunging a number of business sectors into commercial chaos and punishing consumers at a time when domestic demand is already perilously weak,” said **Hans-Werner Müller**, Secretary General of UEAPME.

UEAPME has consistently highlighted the potential chaos that would follow an instantaneous hike in VAT rates. The ensuing extraordinary price rises would hit consumers and damage demand, while leaving the shadow economy as the only winners.

“A number of studies have confirmed the positive impact the reduced rate scheme has had on employment, while suggesting that discontinuing the scheme could lead to up to 200,000 job losses across the EU, at a time when unemployment rates are rampant,” continued Mr Müller.

“With 25 days left until the New Year, businesses are still in the dark as to what price they will have to charge on 1 January. Some small businesses have begun encouraging their customers to pay in advance for services they intend to use next year in order to avail of the current rates and lower price. This situation reflects very poorly on the decision-making ability of Council and undermines confidence in the EU among its citizens. Heads of State must agree to extend reduced rates permanently at the forthcoming Council to prevent a recurrence of this mess,” concluded Mr Müller.

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EDITORS’ NOTE: UEAPME is the employer’s organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 78 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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