



## **“The voice of SMEs in Europe”**

### **Press Release**

FOR IMMEDIATE ISSUE:

#### **M&S loophole strengthens the case for common corporate tax base**

**Brussels, 13 December 2005** Today’s ruling by the European Court of Justice on the Marks and Spencer case, which will enable large firms to offset their cross-border losses against domestic profits, strengthens the case for a common consolidated tax base, according to UEAPME, the European small and medium business organisation.

“This case throws further light on the damaging effects of an incomplete internal market. It is only natural that firms should be allowed to repatriate their European losses. However, allowing firms to offset cross-border losses against their domestic profits for tax purposes plays into the hands of large industry and will compound the competitive disadvantage faced by smaller competitors, which operate locally. Unless this decision is accompanied by real moves towards a common consolidated tax base, it will only benefit large firms,” said **Gerhard Huemer**, UEAPME Director of Economic and Fiscal Policy.

The punitively high costs of complying with cross-border tax systems, which can be up to 200 times higher for small businesses as opposed to their larger competitors, means few small firms have cross-border establishments. So, the decision to allow businesses to repatriate their losses for taxation purposes will overwhelmingly benefit large firms.

“High-compliance costs are only part of the problem faced by small businesses in trying to cope with the multitude of tax regimes. Unlike large firms, they do not have the economies of scale to benefit from ‘tax shopping’ or ‘fiscal engineering’: locating part of their operations in different jurisdictions to avail of more favourable tax conditions. This acts as a major competitive disadvantage for small firms in what is supposed to be an internal market.”

UEAPME is calling for the introduction of a Common Consolidated Tax Base (CCTB), as the best way to remove the distorting effects of the EU’s heterogeneous tax systems. Creating one system for calculating company tax across the EU will make it much more attractive for smaller businesses to operate cross-border and should be a goal for completing a true internal market.

“While not in itself a *Cassis de Dijon*, the decision by the Court of Justice today should give added impetus to the calls for a common tax base. If it is to be of benefit to all businesses, and not just large firms, it must be followed up by moves to remove the distorting effect of the differing tax systems in Europe,” concluded Mr Huemer.

\*\*\*\*\* End \*\*\*\*\*

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

Further information: Gerhard Huemer, Director of Economic and Fiscal Policy, Tel: +32 476 461907

Richard More O’Ferrall, Press and Communications Officer  
Email: [pressoffice@ueapme.com](mailto:pressoffice@ueapme.com) Web: [www.ueapme.com/pressroom](http://www.ueapme.com/pressroom)