



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE ISSUE:

Home State Taxation scheme would remove painful compliance costs

Brussels, 10 January 2006 UEAPME, the European small and medium business organisation, has welcomed a new pilot scheme on Home State Taxation, announced by the European Commission today (Tuesday), as a crucial initiative, which would enable SMEs to truly take advantage of the internal market.

“With the costs of complying with cross-border taxation systems as high as they are, it is little wonder that only 3% of SMEs have operations in states other than their country of origin. The proposed scheme on Home State Taxation would greatly simplify the process of operating cross border for small firms in the EU and help to slash the prohibitively high costs associated with heterogeneous tax systems in the different Member States,” said **Gerhard Huemer**, UEAPME Director of Economic and Fiscal Policy.

“Cross-border compliance costs can be up to 2.5% of turnover for small businesses, as opposed to just 0.02% for larger corporations*: no small firm can absorb that type of cost. High compliance costs thus distort the internal market and place small businesses at a major competitive disadvantage to their larger competitors. 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,” continued Mr Huemer.

By enabling SMEs to calculate their tax due in other Member States on the basis of the tax base in their home state, the proposed pilot scheme on Home State Taxation would automatically counteract the costs of complying with different taxation systems. UEAPME is calling on the Member States to introduce this pilot scheme without delay and show they are committed to improving competitiveness in the EU by encouraging SMEs to fulfil their growth potential.

While the ultimate solution is to introduce a common consolidated tax base for the EU, Home State Taxation is a practical (interim) solution as it would not require any complex discussions on and adjustments to a new singular base.

“It is short-sighted to have a debate on increasing competitiveness in the EU without giving attention to the huge divergences in taxation systems, which serve to undermine the concept of an internal market,” concluded Mr Huemer.

***** End *****

*European Commission survey 2003

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 Web: www.ueapme.com/pressroom