



## ***“The voice of SMEs in Europe”***

### **Press Release**

FOR IMMEDIATE ISSUE

#### **VAT: Agreement on reduced rates scheme ends damaging uncertainty**

**Brussels, 1 February 2006** UEAPME, the European small and medium business organisation, has welcomed the decision by Poland to lift its veto and support the prolongation of reduced VAT rates in a number of service sectors, ending the months of damaging uncertainty in those sectors.

“Today’s decision on VAT rates comes as a massive relief for those small service providers, which would otherwise have been hit by painful rate hikes. While the uncertainty caused by months of indecision has not been helpful for the affected sectors, it is most definitely a case of better late than never and the Austrian Presidency must be praised for forging an agreement in the sensitive area of taxation,” said **Hans-Werner Müller**, Secretary General of UEAPME.

“Jeopardising the livelihoods of thousands of small businesses and their employees for the pursuit of narrow national interests would have been seriously irresponsible of any individual Member State. Thankfully, reason has prevailed and this doomsday scenario has been avoided.”

UEAPME has consistently highlighted the potential chaos that would have followed a hike in VAT rates. The ensuing extraordinary price rises would have played into the hands of the shadow economy and had a negative effect on demand and employment in the affected sectors. Prolonging the reduced rates for these locally operating service providers will have no real impact on cross border trade but will play an important confidence-building role in crucial domestic markets and protect jobs in these crucial labour-intensive sectors.

“Carrying out an independent assessment on the scheme is a welcome initiative and will contribute to promoting the permanent application of the reduced rates. A number of studies have already confirmed the positive impact the scheme has had on employment in these labour-intensive sectors, 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.

“While more difficult to measure, it is clear that the reduced rates have had an important effect on combating undeclared work and other negative aspects of the shadow economy. Prolonging these rates will not only help law-abiding firms to withstand competition from the shadow economy but will also benefit the exchequers,” continued Mr Müller.

“The only sour note is that the Member States failed to agree to permanently applying these reduced rates. This would have spared us future embarrassing debacles, such as those that have accompanied each attempt to renegotiate the VAT package. Providing regulatory certainty is crucial for businesses,” concluded Mr Müller.

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

**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.

Further information:

Richard More O’Ferrall, Press and Communications Officer

Tel: +32 2 230 7599/ GSM: +32 477 44 38 42

Email: [pressoffice@ueapme.com](mailto:pressoffice@ueapme.com) Web: [www.ueapme.com/pressroom](http://www.ueapme.com/pressroom)