



“The voice of SMEs in Europe”

Press Release

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Incoming German Presidency should unlock “VAT package” stalemate

Brussels, 14 December 2006. UEAPME, the European SME employers’ organisation, deplored the blockade created by Germany against the adoption by the Economic and Financial Affairs Council of a series of measures on VAT (the so-called “VAT package”) that would be extremely beneficial to European small businesses. In an open letter to Mr Peer Steinbrück, Federal Minister of Finance, UEAPME urged the German government to cease obstructionism and work towards the adoption of the “VAT package” during the forthcoming German Presidency of the European Union (1).

The German Government is apparently blocking the adoption of the “VAT package” in order to get support for its national “reverse charge” scheme on VAT – a scheme on which other Member States and the European Commission expressed serious concerns, and that would not actually be allowed under the current 6th VAT Directive. “This deadlock is a very worrying signal for European businesses”, wrote UEAPME Secretary General **Hans-Werner Müller** in his open letter. “The German Government bears a key responsibility in this respect, both as unreceptive to the ‘VAT package’ in the near past and as holder of the Presidency of the European Union in the near future”, he continued.

While there is a common VAT in the European Union, small businesses are still subject to up to 25 different administrative systems and collection formulas, which trigger unbearable compliance costs and act as a *de facto* barrier to cross-border trade in the internal market. Part of the “VAT package” contains proposals aiming at creating a “one-stop shop” scheme to simplify registration and declaration of VAT by businesses in their home country for activities carried out in other Member States. This proposal would dramatically diminish red tape by ensuring a single set of VAT procedures for SMEs, no matter where their services are provided.

Similarly, onerous procedures on VAT refunds could be simplified by changing the place of taxation from the place where the supplier is located to the place where the customer is located. This plan, which is part of the “VAT package”, would make it easier to collect refunds on VAT for cross-border business.

“We are disappointed to see Member States paying lip service to the Lisbon “growth and jobs” motto and the “think small first” principle – and then spending their best efforts to pursue narrow-minded national interests. I trust the German Government is not willing to set yet another bad example in this respect, and that it will act promptly to ensure a swift adoption of the VAT package”, concluded Mr Müller.

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(1) http://www.ueapme.com/docs/pos_papers/2006/061213_VAT_open_letter_EN.pdf

EDITORS’ NOTE: UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 81 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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