



“The voice of SMEs in Europe”

Press Statement

FOR IMMEDIATE ISSUE

Council’s political agreement on VAT package a boon for SMEs

Brussels, 5 December 2007. UEAPME, the European craft and SME employers’ organisation, warmly welcomed the political agreement on the so-called “VAT package” reached by the ECOFIN Council in Brussels yesterday (Tuesday). UEAPME was pleased by the Council’s support to the creation of a “one-stop-shop” scheme to simplify registration and declaration of VAT by businesses in their home country, which will also apply to activities carried out in other Member States. This will dramatically diminish bureaucracy, according to UEAPME, which was equally satisfied with the Council’s choice to move taxation for VAT on services to the place where the customer is situated from the place where the supplier is located as is currently the case.

“The ECOFIN Council managed to unlock the long-lasting stalemate on the VAT package without compromising its quality and effectiveness, thanks to the efforts of the Portuguese Presidency that were instrumental in reaching this goal”, commented UEAPME Secretary General **Hans-Werner Müller**. *“The new rules will reduce red tape, simplify procedures and create a more level playing field for small businesses in the EU.”*

Under yesterday’s agreement, service providers will be subject to a single set of obligations for VAT registrations, declarations and payments in their home country. The system will also apply to services provided in other Member States where they are not established. This “one-stop-shop” scheme will put an end to years of uncertainties in which SMEs were potentially confronted with 27 different administrative systems and collection formulas, triggering unbearable compliance costs and acting as a barrier to cross-border trade in the EU.

Moreover, the ECOFIN Council gave the green light to a shift in the place of taxation for VAT from the supplier’s place to the customer’s location. This will ensure fair competition since the same VAT rate will apply to services provided to customers regardless of the location of the supplier. It will also make it easier to collect refunds on VAT for cross-border business and simplify today’s onerous procedures. This choice was made possible by a compromise delaying the application of the general principle in a number of sectors such as telecommunications, broadcasting and electronic services, which will not affect the vast majority of European small businesses.

“Yesterday’s agreement reflects well on the Council’s decision-making ability and paves the way to a better business environment for European SMEs”, concluded Mr Müller.

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EDITORS’ NOTES: UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 84 member organisations, which represent crafts and SMEs across Europe, covering over 12 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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