



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE RELEASE

Taxation rules a key barrier to cross-border trade for SMEs

Brussels, 8 April 2008. Different tax systems triggering high compliance costs are a barrier for small businesses wishing to trade their goods and services cross-border in the EU, according to UEAPME, the European craft and SME employers’ organisation. Speaking on the occasion of the European Commission’s “Tax Forum 2008” coming to a close in Brussels today (Tuesday), Secretary General Andrea Benassi called for SME-friendlier rules on company taxation and VAT. Schemes such as “one-stop shops” for VAT, “home state taxation” and a common tax base on company profits would provide SMEs with the right incentives to go international and make the most out of the single market.

Recent figures by the European Commission have shown that compliance costs for cross-border taxation can be up to 2.5% of turnover for small businesses, as opposed to a mere 0.02% for larger corporations. Small businesses are placed at a competitive disadvantage, since they cannot afford to indulge in “fiscal engineering” or invest in expensive “tax optimisation” services, stressed Mr Benassi: *“As far as SMEs are concerned, the EU is indeed one single market, but it is burdened by 27 diverse and inconsistent tax systems. Despite some recent progress on VAT, much remains to be done in this area.”*

On VAT, UEAPME has repeatedly called for the adoption of “one-stop shop” procedures in the EU, under which cross-border service providers would be subject to a single set of obligations for VAT registrations, declarations and payments in their home country. The ECOFIN Council last December gave the green light to such schemes, but limited their use only to services provided electronically. *“One-stop shops must now be applied to as many sectors as possible”*, said Mr Benassi.

On company taxation, Member States have shown no enthusiasm so far for “home state taxation”, which would allow companies operating cross-border to calculate their taxable profits on the basis of their home country’s taxation system. Not a single pilot project was started since the European Commission’s proposals in 2006, denounced Mr Benassi: *“SMEs have been left to deal with cross-border taxation and the associated high compliance costs on their own”*. The EC plans to introduce a Common Consolidated Corporate Tax Base (CCCTB) would be the ultimate solution for company taxation in the EU, according to UEAPME: *“The CCCTB would provide SMEs with a set of simple and workable rules”*, said Mr Benassi, calling for the CCCTB to be open to all companies.

Finally, Mr Benassi commented on the links between taxation policy and the European Social Model, to be discussed in this afternoon’s session of the Tax Forum. Taxation systems must never encourage undeclared work, he insisted. This is true especially in labour-intensive services sectors, where excessive non-wage labour costs and high VAT rates are often the cause for the recourse to the black market, which creates unfair competition that is particularly damaging for SMEs. UEAPME pointed out once again that the current “experiment” of applying reduced VAT rates to a number of labour-intensive sectors, which runs until 2010, should be transformed into a permanent legal framework.

“With the present tax situation being far from satisfactory, it is little wonder that only 8% of Europe’s SMEs regularly operate cross-border. A friendlier tax environment is possibly the biggest contribution that politicians could make to promote growth and competitiveness in the European Union. The forthcoming Small Business Act is an excellent chance to take action”, concluded Mr Benassi.

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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 85 member organisations, which represent crafts and SMEs across Europe, covering over 12 million enterprises with 50 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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