



"The voice of crafts and SMEs in Europe"

Council's green light to reduced VAT rates ends years of legal uncertainty

Brussels, 10 March 2009 – UEAPME, the European craft and SME employers' organisation, welcomed the conclusions on reduced VAT rates adopted by the ECOFIN Council meeting in Brussels today (Tuesday). According to UEAPME, today's agreement puts an end to years of legal uncertainty on reduced VAT rates in labour-intensive sectors, which are currently applied in 18 Member States as a time-limited "experiment". The Council's green light to a new set of rules on VAT will create a level playing field across Europe and give all Member States the possibility to opt in at any time, stressed UEAPME. Today's decision is particularly important for SMEs operating in labour-intensive services, since it creates incentives for employment at a time of economic crisis and reduces the risk of undeclared work. Member States must now make full use of today's agreement, concluded UEAPME.

Secretary General **Andrea Benassi** offered the following comments:

"Today's decision marks the end of years of legal uncertainty and patchy solutions on reduced VAT rates. The current 'experiments' in the sector will be replaced by one set of clear rules, giving all Member States the option to apply reduced rates on a number of locally provided labour-intensive services. SMEs will be allowed to charge considerably less for these services, making them more affordable and attractive to the public without endangering cross-border competition. This is a boon for small businesses, all the more so in the present economic downturn."

"The effects of today's decision on Europe's employment outlook are an additional reason to rejoice. First of all, reducing VAT rates on labour-intensive services will make the recourse to undeclared work, which the EC recently estimated at twice the average EU unemployment rate, a considerably less attractive option. Secondly, the agreement will create new incentives for job creation in these sectors at a time when business confidence is clearly shaken by the crisis."

"European small businesses have suffered from the lack of a coherent approach to reduced VAT rates for too long. It is now up to Member States to practice what they preach. They should make use of today's agreement without further ado and give European SMEs concrete chances to apply reduced VAT rates to the services they provide. This would be an excellent addition to the national economic recovery plans currently under discussion."

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EDITORS' NOTES: UEAPME is the employers' organisation representing exclusively crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 83 member organisations covering over 12 million enterprises with 55 million employees. UEAPME is a European Social Partner. For further information: <http://www.ueapme.com/>

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