



“The voice of SMEs in Europe”

Press Release

FOR IMMEDIATE ISSUE:

Harmonising company tax will reduce crippling cross-border compliance costs

Brussels, 5 October 2005 There should be an increased drive to harmonise corporate taxation systems in the EU, according to a statement issued by UEAPME, the European small and medium business organisation, on the occasion of a hearing on company tax in the European Parliament Economic and Monetary Affairs Committee (Wednesday).

“The costs of complying with cross-border taxation systems can be up to 200 times higher for small businesses in comparison with large corporations*. This is not just a disincentive for small firms to do business across border it can also be an insurmountable obstacle. It is crucial that we dismantle this barrier if SMEs are to be able to achieve their potential in generating growth in Europe,” said **Gerhard Huemer**, UEAPME Director of Economic and Fiscal Policy.

“High-compliance costs are only part of the problem faced by small businesses in trying to cope with the multitude of tax regimes. Unlike large firms, they do not have the economies of scale to benefit from ‘tax shopping’ or ‘fiscal engineering’: locating part of their operations in different jurisdictions to avail of more favourable tax conditions. This acts as a major competitive disadvantage for small firms in what is supposed to be an internal market,” continued Mr Huemer.

UEAPME advocates the agreement and implementation of the following concrete measures, as soon as possible, to resolve the imbalances of the current situation:

- Common Consolidated Tax Base (CCTB) – creating one system for calculating company tax across the EU will make it much more attractive for smaller businesses to operate cross-border and should be a goal for completing a true internal market.
- Home State Taxation – the proposed pilot project for home state taxation, by which SMEs will be apply to calculate their tax due in other Member States on the basis of the tax base in their home state, is a practical (interim) solution to the high compliance costs faced by small businesses. It should be agreed without delay.

“It is short-sighted to have a debate on increasing competitiveness in the EU without giving attention to the huge divergences in taxation systems, which serve to undermine the concept of an internal market,” concluded Mr Huemer.

***** End *****

*European Commission survey 2003

EDITORS’ NOTE: UEAPME is the employer’s organisation representing the interests of crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 78 member organisations, which represent crafts and SMEs across the whole of Europe, covering over 11 million enterprises with nearly 50 million employees. UEAPME is a European Social Partner.

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