



“The voice of SMEs in Europe”

Press Statement

FOR IMMEDIATE ISSUE

Commission takes sensible stance on reduced VAT rates

- **UEAPME calls for permanent solution on reduced VAT rates for labour-intensive sectors**

Brussels, 5 July 2007. UEAPME, the European craft and SME employers' organisation, welcomed the communication on reduced VAT rates published by the European Commission today (Thursday). UEAPME believes that the new framework suggested by the EC to rationalise and simplify the use of VAT rates in the EU is a good starting point for discussions with Member States and other stakeholders. It also agrees with the Commission's recommendation to extend a number of derogations coming to an end soon, pending the outcome of the political debate on the issue at Council level. UEAPME urged Member States, however, to come up with a solution for the permanent application of reduced VAT rates in a number of crucial labour-intensive sectors, which currently runs as an “experiment” until 2010.

“Today's communication highlights the need to streamline the current VAT rate structure, which is the product of endless political negotiations and patchy last-minute compromises rather than a consistent, logical and economics-based framework”, said **Hans-Werner Müller**, UEAPME Secretary General.

The European Commission is suggesting a three-level structure with two optional rates, a very low rate for goods and services of first necessity and a second level for other “preferential treatment” purposes, in addition to the “standard” VAT rate. According to the Commission, a political debate should ideally take place before 2010, the date on which most transitional measures come to an end. The EC also recommends creating a level playing field by extending a number of derogations to “new” Member States until 2010. UEAPME fully backed this decision, and stressed that such a move is essential to ensure equal treatment between all the EU Member States.

Commenting on reduced VAT rates for labour-intensive sectors, Mr Müller stated: *“It is now time for the legal framework on this crucial issue to be made permanent. This would provide long-term regulatory certainty and boost businesses' confidence. Reduced VAT rates in some key labour-intensive sectors such as construction have no real impact on cross border trade, but play an important role in domestic markets by protecting jobs and making undeclared work a less attractive option.”* An EC-commissioned report published today along with the communication confirms these conclusions. The study recognises that differentiated VAT rates can be beneficial for specific sectors, as they help fighting moonlighting and impact positively on employment levels.

Finally, UEAPME urged the European Commission to engage all interested parties in the run-up to its legislative proposal on the matter, which is foreseen for the end of 2008. *“European crafts and SMEs must be involved as closely and as early as possible in the design of the post-2010 VAT system”*, 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 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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