



"The voice of crafts and SMEs in Europe"

Commission proposal on reduced VAT rates must now be put into practice

Brussels, 7 July 2008 – UEAPME, the European craft and SME employers' organisation, warmly welcomed the proposal on reduced VAT rates presented today by the European Commission as part of its "Small Business Act" package. The text put forward by the EC regroups a number of existing sector-specific and country-specific rules, and provides a permanent legal framework to introduce reduced VAT rates in labour-intensive sectors, which are currently applied in 18 Member States as an "experiment". The proposal also extends the scope to other services provided locally, i.e. those that do not impact on cross-border trade and do not distort competition. According to UEAPME the text, if approved by the Council and thoroughly applied at national level, will be a boon for SMEs, especially those operating in labour-intensive sectors.

Economic and Fiscal Policy Director **Gerhard Huemer** offered the following comments:

"The European Commission has come up today with a valid proposal likely to put an end to years of uncertainty and patchy solutions on reduced VAT rates. The decision to provide Member States with the permanent option of applying reduced VAT rates in labour-intensive sectors deserves particular praise, and represents an important tool in the fight against undeclared work, which will become a less attractive choice. The shadow economy has put honest taxpayers at a competitive disadvantage for too long."

"Reduced VAT rates will have no impact whatsoever on cross-border competition for services provided locally such as restaurants, catering and housing-related activities, and are therefore a safe bet likely to boost local economies. For the same reason, it is also justified to leave the decision on whether to apply reduced VAT rates on these services to Member States, in line with the subsidiarity principle."

"It is now up to Member States to follow suit and give the green light to the proposals put forward today by the Commission. European crafts and SMEs would be dismayed by yet another embarrassing blockade on this long-standing dossier, which must now be closed without further ado. We call on Finance Ministers to steer clear from defending their vested interests, and find together a solution in the interest of Europe at the next ECOFIN Council."

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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 86 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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