

Open letter to The Netherlands Presidency of the Council of the European Union,
ahead of the Economic and Financial Affairs Council on 25 May 2016

Prime Minister Rutte
Ministry of General Affairs
Binnenhof 19
Postbus 20001, 2500 EA Den Haag
The Netherlands

Brussels, 23 May 2016

Dear Prime Minister Rutte,

Re: Introducing a VAT Threshold for Small, Micro-Businesses and Self-Employed Professionals Doing Digital Sales at EU Cross-Border Level

The European Forum of Independent Professionals (EFIP), European Entrepreneurs (CEA-PME), the European Federation of Umbrella Companies (FEPS) and the European Small Business Alliance (ESBA) applaud the ambition of the European Union Institutions in prioritising the Digital Single Market, and welcome the commitment to ensuring Europeans benefit from improved VAT rules on digital sales.

Within this context, we are aware of the recent European Commission VAT Action Plan¹ that will be discussed at the forthcoming Economic and Financial Affairs Council on 25 May 2016. We welcome the intention to reboot the current EU VAT system to make it simpler, more business-friendly and we urge the Commission to present without delay the promised legislative proposal to modernise and simplify VAT for cross-border e-commerce, above all introducing common EU-wide simplification measures to help small digital businesses.

We believe hundreds of thousands of the smallest businesses across the EU cannot materially comply with the requirements imposed by the new EU VAT legislation on digital sales². According to that, VAT on all telecommunications, broadcasting and electronic services will be taxed where the customer is based, rather than where the supplier is located. The costs of determining the location in which services are supplied, calculations for VAT returns, data auditing and data protection compliance will simply mean that many small and micro-business models will no longer be viable. They are faced with the choice of either to close their businesses or not to comply with the legislation, all of which erodes every EU country's tax base and potentially adds to its welfare bill. That is not a reasonable choice to force them to make. European Commission Vice President Andrus Ansip has also agreed that the new EU VAT rules are posing a huge problem for small, micro-businesses and self-employed professionals and confirmed his willingness to urgently prevent unintended damaging consequences on them at the European Parliament Plenary Session³ of 18 May 2015.

Representing more than 1 million small businesses, 15 million employees and 10 million self-employed professionals in Europe, the signatories of this letter are keen to put forward the following policy recommendations to EU Ministers and Member States:

¹ COM(2016) 148 final EC Communication on an action plan on VAT.

² Council Directive 2008/8/EC amending Directive 2006/112/EC as regards the place of supply of services.

³ European Parliament Plenary Session – Strasbourg 18-21 May: <http://www.europarl.europa.eu/ep-live/en/plenary/video?date=19-05-2015>

1. **Short-Term (Q2 2016):** Obtain a revenue exemption threshold, that could be set between €50,000 and €100,000, and applicable to all small and micro-businesses (<10 staff, <2 million turnover) doing cross-border digital sales and an immediate interim suspension of the current rules for small and micro-businesses trading below the threshold, so they can revert to their domestic VAT rules. This should be included in the forthcoming legislative proposal to modernise and simplify VAT for cross-border e-commerce that we urge the European Commission to publish without delay.
2. **Medium-Term (Q3-Q4 2016):** Progressively review and simplify the new EU VAT rules from the ground up, reworking them to be practical for all small, micro-businesses, even those trading above the €50,000 - €100,000 exemption threshold. This should include collecting only one piece of data (e.g. payment processor country code) and guaranteed home country-only audit control.
3. **Long-Term (2017):** Avoid the extension of the EU VAT rules to those small and micro-businesses selling physical goods, pending a proper impact assessment, the SME test and a public consultation with small, micro-business and self-employed professionals' representatives.

In view of the upcoming Economic and Financial Affairs Council of 25 May, we urge Ministers and Member States to acknowledge these recommendations in their Council Conclusions and continue to ensure that VAT rules on digital sales do not unnecessarily limit the development of the digital small and micro-business sector in innovating, creating jobs and growth, to the detriment of Europeans consumers.

We remain committed to work with the relevant departments in the European Commission to ensure the smooth implementation of the adopted Council Conclusions.

Yours sincerely,



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EFIP is furthering a commitment to build a better economy — one that puts people at the centre of it, empowering anyone to work for themselves and succeed on their own terms. We are a European not-for-profit collaboration of national associations which represents over 10 million of independent professionals at EU level through targeted research, advocacy and campaigning. EFIP mission is to strive for European policy, business and social environment to become more conducive to the independent and self-employed way of working, in both the private and public sectors. To learn more, visit: www.efip.org



European Entrepreneurs CEA-PME is a Brussels-based business federation, which currently counts 15 European associations of small and medium enterprises (SME) among its members, with approx. 1.000.000 enterprises represented, employing more than 14,5 million people. European Entrepreneurs CEA-PME represents the interests of its members towards the institutions of the European Union and offers services in the field of public procurement and public relations. To learn more, visit: www.cea-pme.com



The European Small Business Alliance (ESBA) is a non-party political group, which cares for small business entrepreneurs and the self-employed and represents them through targeted EU advocacy and profiling activities. Today, ESBA is one of the largest organisations based on voluntary membership in Europe. Through its direct membership, associate membership and cooperation agreements, the Alliance now represents almost one million small businesses and covers 35 European countries. The two main pillars in ESBA's lobbying are the two main pressing issues for SMEs across Europe: Access to Finance and Better Regulation. To learn more, visit: www.esba-europe.org



FEPS is the European federation of new forms of employment. It gathers companies providing independent workers with social protection, administrative services and guidance for their business development. FEPS represents its members, and their 7 million independent workers at both State and European levels in order to promote and to advocate for the development of new forms of employment with a view to help them to achieve their potential for growth and employment. FEPS also provides its members with legal assistance and exchange on good practices. To learn more, visit: www.feps-asso.org