

## THE SINGLE EUROPEAN VAT – A DREAM OF EUROPEAN BUSINESSES

Business sector needs much simpler EU VAT collection and taxation adapted to economic trends, agreed participants of the CEBRE debate on 29th June in Prague. Last year's directive on electronic invoicing is a good example how to adapt the regulation to economic development, i.e. the use of ICT for billing and fight against late payments. The Czech Ministry of Finance has been working on the Directive implementation, which will, among other things, allow SMEs to use cash accounting (to pay the VAT only from paid invoices). The participants from public sector, business, academia and other groups of interest also discussed the Commission's proposal on CCCTB that promises to simplify the filing of tax returns via one-stop-shop for taxes, solve problems associated with the use of transfer pricing and cross-border losses within the group and to remove existing obstacles to the internal market (double taxation of a subsidiary's profits and taxation of cross-border mergers and acquisitions). According to Dana Trezziová, BDO Tax partner and representative of the Czech Confederation of Industry in the Economic & Financial Affairs Committee of BUSINESSEUROPE, European businesses welcome the CCCTB proposal under the condition that it helps them consolidate profits and losses, reduces administrative costs and stays facultative. In any case the Member States must continue to apply their national tax rates. "Cutting red tape is crucial for businesses. In the future, they would welcome a single European VAT", Trezziová added.

Karel Havlíček, vice-president of UEAPME, does not advocate the so-called reverse charge mechanism. Nevertheless it might be, according to him, in some sectors a good tool to combat tax evasion and fraud. Regarding the CCCTB, he is more cautious and rejects any proposal for common tax rate. "If the corporate taxes were unified in the EU, it would worsen the competitiveness of individual Member States and reduce mobility of workforce which is already very low in the EU (5%). More radical in respect of the CCCTB proposal is the Czech government who blames it for "its potential negative impact on State budget (revenue side) and control mechanism as well as on the autonomy to decide its own tax system", said Blanka Mattauschová, Director of Excise Duty Dept. of the Czech Ministry of Finance."



From left: Blanka Mattauschová of Ministry of Finance of CZ, Dana Trezziová, BDO Tax partner, Karel Havlíček, Vice-president of UEAPME, Alena Vančurová of University of Economics, Prague, Alena Vlačíhová of CEBRE

CEBRE was founded in 2002 by the three most important Czech business organizations - Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.



## News FLASH

### >EFFORTS FOR FURTHER CUTTING RED TAPE

New proposal for the Trade Licensing Act revision will help Czech businesses to save more than €10M. The review proposes to abolish the obligation to indicate special identification number on the business premises, to extend services of central registration places and simplify administration when moving.

### >STATE GUARANTEES FOR START-UPS

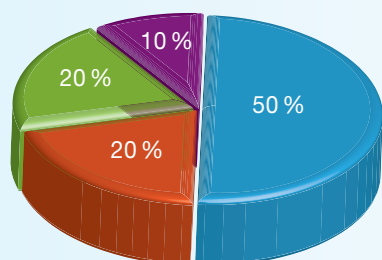
The Czech Ministry of Industry and Trade with cooperation of the Czech-Moravian Guarantee and Development Bank launched a new support for start-ups. The Bank will provide start-ups with banking guarantees of maximum €115 thousand covering 80% of the credit. Start-ups have to employ less than 10 employees and operate less than 3 years. The loan can be used for acquisition of investments and inventories.

### >DISCUSSION ON FUTURE FINANCIAL PERSPECTIVE

The Czech Republic has already decided the areas to be financed within the next financial period 2014-2020. The money will serve to finance competitiveness, improvement of quality and effectiveness of public services, social integration and integrated territorial development.

## SME SURVEY: How did the SBA help Czech SMEs to expand?

**CZECH SMES STRUGGLE THE MOST WITH ADMINISTRATIVE BURDEN AND OVERREGULATION, TAXATION, ACCESS TO FINANCE AND LEGAL UNCERTAINTY.**



- Overregulation and administrative burden
- Taxation
- Access to finance
- Legal uncertainty



### No exceptions for microenterprises!

The majority of entrepreneurs deem that there should be no exceptions for microenterprises from legislative proposals because it would create unequal conditions in the market.

### Access to finance

The majority of Czech SMEs (67%) indicate that the access to finance has not changed in the last six months and banks are still cautious when granting credits, 29% think the access to finance has even worsen in the last six months.

# COMMON TRADE POLICY – THE OPEN MARKETS ARE KEY TO INTERNATIONAL TRADE SUCCESS

European Trade Policy and all its instruments have a direct impact on day-to-day business of European companies. Therefore all the instruments have to be consulted with companies and their associations and a comprehensive approach of both, European and national measures, is a must. Being realistic, we can no longer claim Europe will become the most competitive economy of the World. China's share of the Global GDP rises and the BRIC countries will take lead soon. How can Europe succeed? How to keep pace with such growth? It seems that the only way is to recognise Europe as not a world trade partner with unlimited negotiating power, ensure strong commitment of EU and all Member States to open markets, focus on the most prosperous and promising markets and implement all necessary structural changes. There are a number of open negotiations with various trade partners on Free Trade Agreements and other comprehensive trade agreements. It is very easy to quantify their impact – e.g. the provisionally applied FTA with South Korea adds to the European GDP 0.08%. If only there was a comprehensive agreement with the US, the value would be more than 1% of EU GDP. Anna Teličková, Director of Multilateral and Common Trade Policy (Ministry of Trade and Industry CZ), underlined the need for comprehensive European and national Trade Policy and impact of negotiated FTAs on day-to-day business of Czech companies. From the point of view of Luděk Seřizig, Chair of Senate's EU Affairs Committee, the biggest reserves are in better coordination of economic diplomacy and support to SME's (also through governmental insurance fund EGAP and Czech Export Bank). Deputy Director General of Confederation of Industry of CZ Dagmar Kuchtová stressed the Czech employers have

the opportunity to influence Czech and European Trade Policy through business associations such the Confederation or BUSINESSEUROPE. More and more Czech companies are facing problems in China's market. Director of ECIPE Hosuk Lee Makiyama pointed out Europe should acknowledge that it has no longer world's leading position in economic growth and focus on its strong aspects – implement structural reforms and added value. Many companies call for access to foreign public tenders. Nonetheless, there is no single market for public tenders even within the EU. So how could we expect success in tendering in China or Canada? Europe does not have such negotiating power to push its trade partners to agree. Also, we often hear calls for reciprocity in negotiations. Such principle makes more sense in theory while it often fails in practise. This discussion was part of a debate organised by Representation of the EC in Prague, Information Office of the EP in Prague, CEBRE and KZPS on 5th September 2011, with the support of the University of Finance and Administration, server EurActiv.cz and Prague Leaders Magazine.



From left: Hosuk Lee Makiyama of ECIPE, Anna Teličková of Ministry of Trade and Industry of CZ, Dana Kuchtová of Confederation of Industry of CZ, Luděk Seřizig, Chair of Senate's EU Affairs Committee, Michal Kadera, Director of CEBRE

## ECSC corner - Commodity markets and raw material policy in the EU

At its plenary meeting on 14 July, the EESC adopted the opinion on commodity markets and raw materials. Although there is no reason to believe that there exists any danger in long term global depletion of stocks of any vital critical raw material, a real threat of shortages in short term exists. Shortage can be triggered by political or economic factors; some countries have already shown they would use such influence to impose their interests. The raw material policy must form an integral component of the EU industrial policy:

- To promote the resource efficiency of both primary energy sources and raw materials towards decoupling growth from consumption of resources;
- To have a consistent policy of urban mining that aims

to recover and to make available such a resource of valuable raw materials and to promote the new skills and jobs related;

- To strengthen the research and development regarding possibilities of substitution of the critical raw materials;
- To maintain and increase employment in the European extractive sector ensuring continuous education and training of the workforce, accompanying the transition to more sustainable extractive activities by the social dialogue at all the levels.

Creation of a strategic stockpile of critical raw materials is among the potential solutions and recommends that an impact assessment be carried out to establish the feasibility of such a possibility in the light of the

## MAJOR RESEARCH PROJECT CEITEC APPROVED BY THE EUROPEAN COMMISSION

CEITEC - Central European Institute of Technology is a major research infrastructure project to be set up in Brno, Czech Republic. In June 2011, European Commissioner for Regional Policy Johannes Hahn approved the project. With budget of more than €210 mil it is striving to interconnect research in life sciences and technical fields. Funding for the new European centre of excellence will come from EU Structural Funds. This investment shall help to improve the existing capacities in basic and applied research not only in Brno in order to increase competitiveness of Czech research in the EU and on international level. The project is developed by a consortium of universities and research institutes from Brno, which is led by the Masaryk University. For more information see [www.ceitec.eu](http://www.ceitec.eu).



## CEBRE CALENDAR:

- CEBRE Debate on EU budget (Prague), **20th Sept. 2011**
- Debate on the Future of Eurozone in the EP (Brussels), **21st Sept. 2011**
- Debate with Tomáš Sedláček, CSOB chief Economist, in Prague House (Brussels), **21st Sept. 2011**
- International Engineering Fair (Brno, CZ), **3rd – 7th Oct. 2011**
- CEBRE Debate on Access to Third Markets and External Aid (Brno, CZ), **5th Oct. 2011**
- CEBRE Debate on Recognition of Professional Qualifications (Brussels), **12th Oct. 2011**

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worst-case scenario. Key guidelines of raw material diplomacy should be defined and agreed among the member states. The EESC urges a more active foreign policy regarding security of raw materials for EU industry. For this purpose bilateral trade agreements and diplomacy are of utmost importance to secure the critical raw materials for EU based industry. Supporting current or new raw material extraction in the member states, which conforms to the EU environmental, social and health and safety legislation is a necessity. The domestic supply should be among the pillars of all raw material policies. Recycling – urban mining – is also the key priority of the raw material policy. European Commission's measures to regulate the financial commodity markets aimed at improving transparency, enhancing the quality of information and improving oversight mechanisms are among essentials.

Josef Zboril, Member of EESC

CEBRE – Czech Business Representation, protects the interests of the Czech business community in relation to EU institutions, informs Czech businesses about EU legislation affecting them, trains Czech entrepreneurs in Brussels and represents Czech business associations at European business federations. Contact: Czech House, 60 Rue du Trône, 1050 Brussels, Tel: +32 2 2139 450/452, e-mail: [brussels@cebre.cz](mailto:brussels@cebre.cz), [www.cebre.cz](http://www.cebre.cz)