Small and medium-sized enterprises SMEs: improvement of the fiscal environment

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The purpose of this communication is to set out the Commission's approach to the taxation of SMEs. It contains guidelines on how to create a more lenient tax environment for SMEs, in order to encourage new SMEs and foster their subsequent development. Only aspects of direct taxation are addressed here; measures relating to indirect taxation are due to be tabled by the end of 1994, mainly in the light of the reports and proposals submitted during the review of the VAT system. The communication identifies three main problems: - the need to attract sufficient financial resources, both from self-financing and from venture capital. As far as self-financing is concerned, the Community approach, as reflected in the work of the Ruding committee in 1990, is to limit the tax liability on profits ploughed back. As far as the taxation of venture capital is concerned, the Commission is currently conducting a survey in the Member States, following which it will be in a position to table a recommendation based on the best practices; - complex administration, especially in the case of transnational activities: the recommendation suggests taxation solely in the state of registration as one possible solution, although it does admit that a number of precautions will need to be taken in order to prevent abuse; - continuing trading in the event of transfer of ownership: the Commission promises to issue a guideline on reducing the tax liability on successions and donations where the enterprise continues to trade. It also plans to find ways of resolving problems of double taxation which may arise where ownership is transferred abroad. The Commission promises to organize far-reaching consultations with the Member States and other interested parties on all these questions.