Press release

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Discriminatory Slovak retail tax hurts consumers – EuroCommerce files official complaints

EuroCommerce has lodged two complaints to the European Commission against a new tax on retailers (Act No. 595/2003). The tax, which applies only to foreign-owned companies active in the country, requires them to pay 2.5% of their net turnover, from which the Slovak government expects to raise €87 million. It entered into force on 1 January this year.

The EuroCommerce complaints focus on its clear view that the tax is incompatible with EU law on two counts. By exempting virtually all Slovak-owned retail chains, the tax constitutes unlawful state aid, similar to retail taxes previously proposed in Poland and Hungary, and subsequently found illegal by the Commission. Secondly, the discriminatory nature of the tax infringes the clear Treaty principle of freedom of establishment.

Commenting today, EuroCommerce Director-General Christian Verschueren said:

"International retail companies have invested billions of euros in offering Slovak consumers modern, competitive supermarkets with a wide range of quality products. Despite this, Slovak legislators consciously chose to focus on foreign-owned retailers, and to exempt virtually all Slovak competitors, with the clear objective of deterring foreign investors. This deliberate move will unavoidably mean less choice and higher prices for Slovak consumers."

"*This law is part of a wider and growing trend of protectionism and populist policies against retailers, especially in Central and Eastern Europe*. *These Member States are seeking to control the way our members do business, restrict what they sell, and levy disproportionate fines. This is all aimed at protecting local competitors and driving out foreign companies. These countries benefit greatly from the single market, yet want to disapply it when it suits them politically."*

The political debate preceding the new tax law made it very clear that politicians were specifically trying to target foreign players. EuroCommerce has asked the Commission to act quickly in order to limit the damage to consumers and businesses, and to open an in-depth investigation, meanwhile suspending application of the law under EU state aid rules.

Verschueren added:

"Retail is a low margin business. Grocery retailers' margins are typically less than 3%. A 2.5% tax on turnover therefore wipes out their profits, and forces them into making a loss. This will inevitably have significant consequences for future investment in the country."

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