

Retail taxes come with a price

Member States keep on proposing retail-specific taxes based on turnover. This may put retailers out of business, decrease choice and in the end increase consumer prices.

After Hungary, Poland and Slovakia, Lithuania has now proposed a new retail tax. The proposal consists of a flat rate of 1% on consumer sales, with a turnover threshold of EUR 2 million a month.

Christian Verschueren, Director-General of EuroCommerce, said:

“Retail businesses are closest to consumers, and especially in food, they operate with very low average margins of 1 to 3%. At the same time retailers are major local employers, and support local communities and businesses. They source locally on average 70% of products they sell. Turnover-based taxes will either lead to retailers having to absorb the cost, renegotiate conditions with suppliers or increase consumer prices. It is really unclear what Member States want to achieve with these taxes.”

In addition, the European Commission has concluded that most of the taxes introduced have constituted unlawful state aid and the Court of Justice of the European Union concluded in case C-385/12 that the Hungarian 2010 retail tax was indirectly discriminatory.

Rūta Vainienė, Executive Director of Lithuanian Association of Trade Companies, said:

“It is unclear how the proposed retail tax in Lithuania will improve consumer choice and help retailers keep prices low for Lithuanian consumers. It is unclear why the lawmakers have singled out the retail sector, which has low profit margins. We call upon the European Commission and our Government to be vigilant and protect the interest of Lithuanian consumers, and ensure that Lithuanian retail businesses remain competitive.”

Often Member States that propose retail-specific taxes have also introduced other types of restrictive laws on retail, e.g. regulation of B2B relationships to the benefit of (large international) suppliers, providing advantages for local products vis-à-vis products from other Member States, making larger retailers subject to competition law restrictions, regardless of their real market power, and restricting establishment / reconstruction / expansion of stores.

This is undermining the Single Market and it is creating a hostile environment for new competitors which will lead to less competition. Higher consumer prices and less choice will be the end result.

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