

Taxes on retail turnover a short-sighted attack on innovation and consumers' purchasing power

Noting the [judgment](#) of the Court of Justice of the European Union today on the Polish retail and Hungarian advertising taxes (C 562/19 P Commission v Poland and C 596/19 P Commission v Hungary), EuroCommerce Director-General Christian Verschueren commented:

“We do not question the European Court’s judgment, that focused on the methodology used by the Commission to assess whether the tax constituted unlawful state aid. But we do question the judgment of governments imposing turnover taxes with a clear discriminatory impact. The companies particularly affected have invested billions of euros to offer consumers in their countries a wide choice of quality products at competitive prices. Taxes based on the turnover of retail companies with a high turnover, but very low profit margin put at risk these retailers’ ability to continue investing in those countries to innovate and give consumers the service they have come to expect”.

Taxes should be fair, non-discriminatory and ensure fair competition between all market players. Retail is the biggest collector of indirect taxes in the EU, and pays some additional € 70 billion in labour, corporate and other direct taxation. Why we are so concerned at turnover-based taxes on retailers is that they can give an unfair advantage to domestic competitors. On top of this we see companies already subject to other discriminatory measures in these and other Central and Eastern European countries, making it difficult to operate, regularly breaching single market rules and not observing European standards of rule of law. These have a significant effect on the prices consumers pay and the choice of products and services available to them.

A tax on turnover fundamentally misunderstands a business model which has provided a real benefit to consumers in offering the best products and service at very competitive prices. A tax which wipes out a retailer’s already low profit can only lead to two outcomes: either the consumer pays more, or the retailer does not invest or even reduces its presence in the country. These taxes apply particularly to brick-and-mortar shops already affected by the COVID epidemic and the challenges of digitalisation. These shops act as an anchor for the well-being of town centres and rural communities, and have for many years been under massive pressure. If shops go, communities gradually decay.

Hence our request to governments to think about the impact of these short-sighted measures on their consumers, and to the Commission to continue to strictly enforce single market legislation and promote the rule of law across Europe.

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EuroCommerce is the principal European organisation representing the retail and wholesale sector. It embraces national associations in 31 countries and 5.4 million companies, both leading global players such as Carrefour, Ikea, Metro and Tesco, and many small businesses. Retail and wholesale provide a link between producers and 500 million European consumers over a billion times a day. It generates 1 in 7 jobs, providing a varied career for 29 million Europeans, many of them young people. It also supports millions of further jobs throughout the supply chain, from small local suppliers to international businesses. EuroCommerce is the recognised European social partner for the retail and wholesale sector.