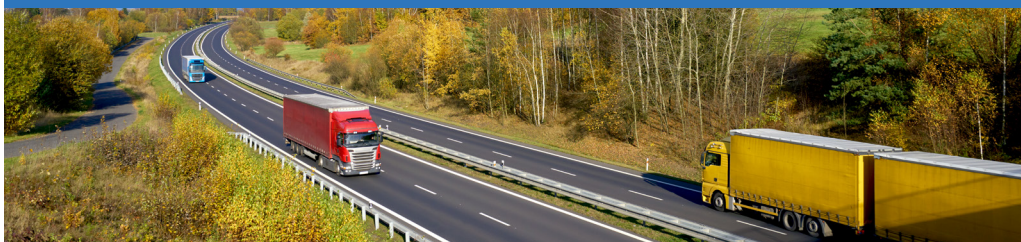


POSTING OF WORKERS DIVIDES EUROPE



Illegal practices in transport sector were mentioned by some Member States as the main argument to apply minimum wage on international transport operations and burdensome administrative requirements on transport operators. Road transport workers are highly mobile; therefore the directive on Posting of workers does not fit this sector. The European Commission plead that the international transport operations fall under the scope of the directive therefore they cannot be exempted from its rules. However, it recognizes the need for specific rules for transport sector. Social aspects of the road transport including posting will be part of the Commission's road package foreseen by the end of May. It will focus, among other things, on better enforcement of rules and closer cooperation among Member States' authorities in order to eliminate illegal practices and frauds such as letterbox companies or continuous cabotage. The Commission is also considering setting a reasonable period of time during which the directive on posting would not apply on international transport operations and is exploring technical aspects on how to enforce it. Use of digital tachographs and eCMR system could be a solution.

According to Jan Němec from IRU, reasonable period of time could be 4 or 6 weeks. After this period the drivers would be obliged to return to their country. "National measures taken by Germany, France, Netherlands, Austria and Italy threaten transport operators who do the normal transport operations", highlighted Emanuel Šíp from the Czech Chamber of Commerce. We have to avoid administrative burden and additional costs put on operators such as translation of documents including pay slips and costs for representative bodies in a particular country as 90% of operators are small (up to ten vehicles). The debate on the revision of posting of workers directive has divided the European Parliament. Employment committee, leading on this dossier, is going through 500 amendments received by its members. The discussion will be live and long, however we need to adopt a quick EU solution and avoid mushrooming of national measures. Social aspects of the road package were discussed on 27th March 2017 in Brussels during a debate organized by CEBRE - Czech Business Representation to the EU and Czech Permanent Representation to the EU.



VIEW OF CZECH MINISTER OF TRANSPORT DAN ŤOK

"We need to find a suitable solution on the Internal Market which will avoid frauds and illegal practices and allow normal international transport".

EU FOCUSES ON INDUSTRY

At the end of February, the European Commission hosted the first European Industry Day. The event brought together high-level policymakers, the most important industrial players and other key stakeholders to discuss the future of industry in the EU. President of the European Commission Jean-Claude Juncker warned against the growing protectionist and anti-global sentiments in the world. While the EU must protect its industry and businesses with modern trade defence instruments, it can't and won't take the path of protectionism. While the Investment Plan for Europe has managed to attract new investment opportunities, the Commission will continue to further stimulate investments by creating new

incentives. The Investment Plan for Europe has been a big success so far, but according to the Chair of the European Parliament Committee on Industry, Research and Energy Jerzy Buzek, EFSI 2.0 must focus more on industrial policy projects. Apart from that, the EU must, according to Buzek, set the right balance between industrial and environmental policy, because if the environmental policy will set too demanding goals, the industrial base in the EU will disappear. European businesses were represented, among others, by President of BusinessEurope Emma Marcegaglia. She stressed that industrial policy needs better governance on all levels, from the Competitiveness Council to regional authorities. The EU has been already

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

>NEW CZECH INDUSTRY AND TRADE MINISTER

Former Deputy Minister Jiří Havlíček took over the post of Minister of Industry and Trade. During his mandate, Havlíček will focus mainly on development of high-speed internet infrastructure and revision of the electronic communication law.

>CZECH EXPORTS ON THE RISE

Czech foreign trade in goods continued to rise at the beginning of 2017. According to preliminary data, Czech exports went up by 6.7% to 274.3 bn. CZK and imports by 8.0% to 254.9 bn. CZK.

>GOOD CONDITION OF CZECH SMES

According to the latest survey of the Czech Chamber of Commerce, more than 80% of SMEs stated that their economic situation in the second half of 2016 was equal or better than in the previous half-year. 80% of them also increased salaries of their employees.

successful in implementing certain industrial principles, but if the initiatives won't have holistic approach, the EU will lose its competitiveness. Czech business organizations support the intention of the European Commission to focus more on industrial policy in the EU. They call on the European Commission to create an ambitious and horizontal strategy to support European industry with strong leadership, while mainstreaming industrial competitiveness.

REVERSE CHARGE OR „ONE STOP SHOP“? THE COMMISSION HAS A CLEAR IDEA



State resources in the EU lose about 170 billion euros every year due to tax evasion. The expectations of academics, the inventors of VAT, that all the taxpayers are gentlemen, proved to be false. The EU is now at a crossroad with a question on how to modernise the VAT system and avoid tax evasion, provided that the setting of the level of rates remains within competences of Member States. The Commission had two options to choose from. The first one is a generalised reverse charge mechanism. In this case,

taxes would be paid by the last trader in the chain. The second one, which was picked by the Commission, is the definite regime for cross-border transactions on the basis of "one stop shop". Both regimes have their pros and cons, and the decision of which direction to go is in the hands of politicians. Speakers agreed that the collection of VAT by twenty eight different tax authorities complicates the life of entrepreneurs in the EU. Therefore, it is necessary to modernise the current system and find an easy and understandable

solution. The ideal one for entrepreneurs would be a uniform rate across the EU. However, it is a politically impassable one at this moment, as well as the reverse charge. The Commission will present its proposal of the definitive regime for cross-border transactions this autumn. It cannot be confirmed that even after the introduction of the new regime, tax evasions will disappear. Nevertheless, the definitive system has at least an ambition to partial restrict tax evasion. Its threat could also be the lack of willingness of tax authorities to collect VAT for another Member State. Whether the tax reform will be approved is uncertain because the decision on tax matters requires unanimity of all Member States. The reform of the EU VAT system was discussed on the 31st March at the European House in Prague by tax experts, business representatives and academics. During the simulated voting, most of the participants preferred the introduction of the reverse charge as the best tool to avoid tax fraud. The event was organised by the Representation of the European Commission in the Czech Republic and the European Parliament Information Office in the Czech Republic in cooperation with the Confederation of Industry of the Czech Republic and CEBRE - Czech Business Representation to the EU.

EESC CORNER: DOUBLE TAXATION DISPUTE RESOLUTION MECHANISMS IN THE EU

One of the main problems that cross-border operating businesses currently face is double taxation. There are already mechanisms in place that deal with the resolution of double taxation disputes. Although these work well in many cases, there is a need to make them work better regarding access for taxpayers to those mechanisms, coverage, timeliness and conclusiveness. The proposed directive builds on the existing Union Arbitration Convention, which already provides for a mandatory binding arbitration mechanism, but broadens its scope to areas which are not currently covered and adds targeted enforcement blocks to address the main identified shortcomings, as regards enforcement and effectiveness of this mechanism. The proposal would broaden the scope of dispute resolution mechanisms to all cross-border situations subjected to double income tax imposed on business profits and adds an explicit obligation of result for Member States as well as a clearly defined time-limit. The Directive allows for a Mutual Agreement Procedure under which the Member States shall freely cooperate and reach an agreement within two years. If the MAP fails, it automatically leads to a dispute resolution procedure with the issuance of a final mandatory

binding decision by the competent authorities of the Member States involved. The competent authorities may publish the final arbitration decision and more detailed information, subjected to agreement by the taxpayer. The EESC agrees with the Commission that double taxation is one of the biggest tax obstacles to the Single Market. But eliminating the double taxation is not by itself sufficient to create a level playing field in the area of taxation. The proposed directive adds targeted enforcement blocks to address the main identified shortcomings in the Union Arbitration Convention. In circumstances where Member States do not automatically start the arbitration procedure, the taxpayer can ask its national court to take the necessary steps for setting up an arbitration committee to deliver a final, binding decision on the case within a fixed timeframe. The Committee supports the Commission initiative to extend its monitoring of countries' performance in all cases of double taxation disputes in cross-border situations on a yearly basis, in order to assess whether the objectives of the directive are met, and also welcomes the flexibility provided to Member States to agree bilaterally on a case-by-case basis to alternative dispute resolution mechanisms. This facilitates solutions in multilateral situations where

the dispute at stake has to be solved not only at the EU level but also in relation to third countries through bilateral treaties.



Marie Zvolská,
Group I – Employers
EESC Member

CEBRE CALENDAR:

- **26th May** – Debate on Trump's presidency impact on EU economy, Prague
- **13th June** – Sector seminar on Energy, Brussels
- **16th June** – CEBRE founders' meeting with MEPs, Prague

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