



SME TAX COMPLIANCE COSTS

Requirements

Transparency



Law

Regulations

Audit

Terms

Guidelines

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Study on
tax compliance
costs for

SMEs

First study of its kind

3,000+ enterprises

6 sectors

20 countries

National & EU recommendations

CIT, VAT and payroll taxes

Introduction to the study

The study looks into the tax compliance costs of enterprises, **SMEs in particular**, and analyses how they differ in terms of enterprise sizes and sectors throughout Europe. How do European SMEs cope with different tax systems, how do they affect SMEs' costs and decision making? How could the competitiveness of SMEs be improved with regard to the administrative burden?

SMEs face proportionally higher tax compliance costs than larger enterprises. The study suggests potential improvements at national and EU level. The findings are underpinned by **extensive quantitative and qualitative research**, painting a picture of how the major taxes (notably corporate income tax [CIT], value added tax [VAT] and payroll taxes) impose a multiplicity of obligations. SMEs have limited internal resources and often struggle and seek more costly outsourcing.

The study, scrutinising 20 countries, draws attention to the **differing national tax requirements** that can create **hurdles to cross-border activities** in the Internal Market. SMEs are the least equipped to handle these challenges. In its recommendations, the study looks first at **measures at EU level**. It then identifies how individual countries can encourage SMEs by making it easier and less costly for them to manage their tax obligations. The study also highlights **good practices** in several Member States.

[Download the full study via the link](#)



Main findings of the study

For the average enterprise, CIT is rated as the most burdensome tax, with VAT in second place, and payroll tax in third.

The average enterprise in the 20 countries spends 2.5% of its turnover on compliance with tax obligations. The relative burden has a negative correlation with the size of the enterprise. The study found that the relative burden of tax compliance is the highest for micro-sized enterprises (2.6%) and small-sized enterprises (1.4%), while much less for large-sized enterprises (0.7%) and medium-sized enterprises (0.3%).

In the 20 countries, we can infer that total enterprise tax compliance costs (TETCC) for the average enterprise constitute 52% of the total tax revenue.

Between 2004 and 2014, little progress was made to reduce the tax compliance burden for SMEs. Tax compliance is also perceived as more burdensome since 2010.

For additional information, please contact:

European Commission

Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW)

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Unit H.3 — COSME Financial Instruments

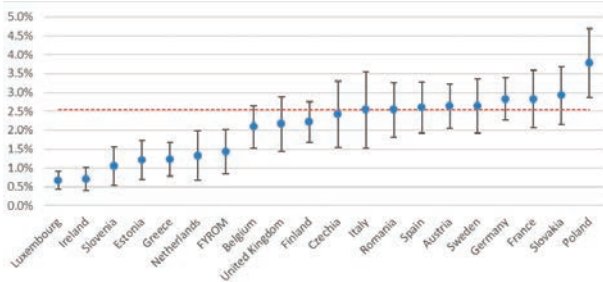
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Over 220 statistical graphics enhance 284 pages of research

A selection of corroborative data from the study

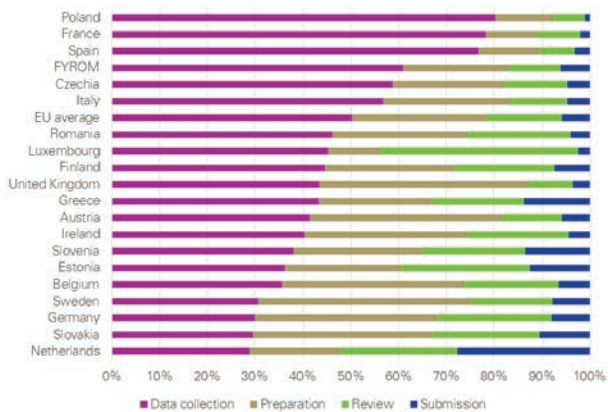
Estimated average TETCC to turnover ratio by countries

Enterprises in Luxembourg, Ireland and Slovenia bear the lowest total relative burden regarding all taxes while France, Slovakia and Poland have the highest relative burden.



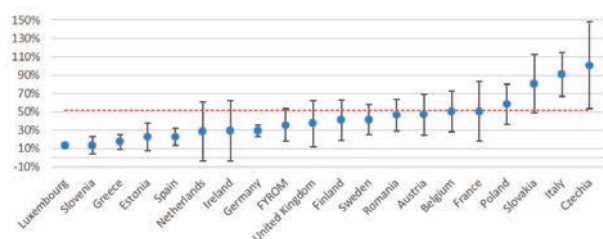
Estimated average tax compliance costs by activity and by country – CIT

The (relatively) large data collection cost is true in most countries for CIT, with the exception of Sweden, Slovakia, and Germany, for which preparation cost is the most burdensome activity, and the Netherlands for which submission is the most burdensome activity. Most countries have, nonetheless, a lower proportion of time allocated to data collection than the country average, while some large countries, such as France, Poland and Spain, have a much higher proportion dedicated to this task.



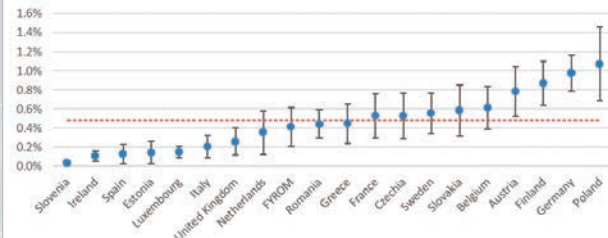
Estimated average TETCC to tax revenue ratio

The cost of tax collection is lowest in Luxembourg, Slovenia, Greece and Estonia while it is highest in Slovakia, Italy and the Czechia. Tax collection in the Czechia is estimated to be about almost eight times higher than in Luxembourg.



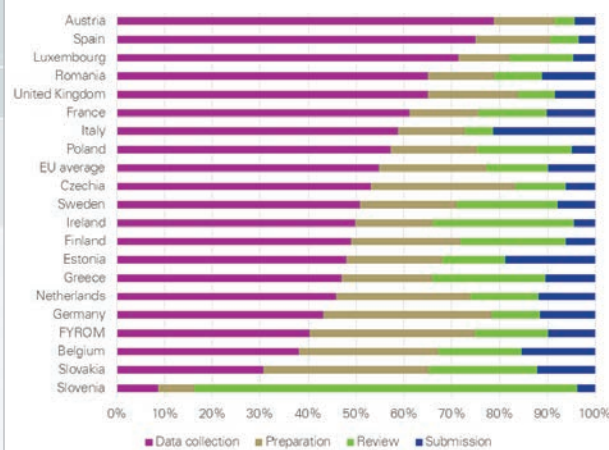
Estimated average indirect enterprise tax compliance costs (IETCC) to turnover ratio by countries

The relative burden of complying with indirect tax obligations is the smallest in Slovenia, Ireland and Spain and it is the highest in Finland, Germany and Poland.



Estimated average tax compliance costs by activity and by country – VAT

As far as VAT is concerned, the consistency of data collection is more widespread with the notable exceptions of Slovakia and Slovenia. Enterprises from Austria, Spain and Luxembourg have a much higher proportion of data collection costs than other countries. Enterprises from Slovenia faced a very large administrative burden to review their tax obligations.



Average TETCC by size of enterprises and by industry sector

For most industry sectors the average TETCC are comparable within a respective size category of enterprises. However, some sectors (manufacturing and accommodation) show a different profile across the enterprise size range. The manufacturing sector shows consistently higher than average tax compliance costs for all taxes.



Findings underpinned by extensive quantitative and qualitative research

- ◆ **First study of its kind with such extensive data**
- ◆ **National and EU level recommendations**
- ◆ **Addresses CIT, VAT and payroll taxes**
- ◆ **3,000+ enterprises across C, D, F, I, G and M sectors**
- ◆ **Reviews national taxes in 20 countries**
- ◆ **Cross-border issues in the Internal Market**
- ◆ **Cost effective tax management for SMEs**
- ◆ **Sharing good practices between Member States**

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The study, which was conducted among more than 3,000 enterprises in 20 European countries during 2014, looks at how the propensity of small and medium-sized enterprises (SMEs) to trade cross-border within the Internal Market is affected by administrative obligations associated with tax law compliance, and how these can be improved. SMEs face proportionally higher costs than larger enterprises and the study suggests potential improvements at national and EU level.

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