



## Raising the VAT threshold

The Women Entrepreneurs of Finland demands that the VAT registration threshold be raised from the current 8,500 euros to 50,000 euros.

Raising the VAT threshold is one of the best incentives for enterprises in labour-intensive sectors and for all business start-ups. It also prevents grey economy. Furthermore, raising the VAT registration threshold would help micro entrepreneurs make a living out of their business.

At the moment, an enterprise becomes liable for VAT already when its turnover reaches 8,500 euros, and a graduated VAT relief scheme is applicable until the turnover amounts to 22,500 euros.

The Finnish VAT system came into force in 1994, before Finland joined the EU, and it has not been amended since. The Finnish system, therefore, has remained unchanged for the past 20 years; whereas, the Women Entrepreneurs of Finland is of the opinion that the VAT threshold should be reviewed regularly.

The Women Entrepreneurs of Finland lists a number of reasons for raising the VAT registration threshold:

1. Due to the market situation, an entrepreneur in a labour-intensive sector is not always able to include VAT in consumer prices. In the current system, the share of VAT of the price of the final product may be larger than the share that the entrepreneur gets as payment for her work.
2. The present VAT system favours those who run an enterprise as a hobby. It also distorts competition and promotes grey economy. This is the case because a lot of entrepreneurs choose to either cut down on their activity when they approach the 8,500 euro limit or do their work undeclared.
3. The current VAT registration threshold in Finland is seriously lagging behind the EU average threshold of 30,000 euros.

4. Due to the segregation of the labour market, women largely work in the service sector. This means that the stagnated VAT registration threshold in Finland is particularly hard on women-dominated sectors and on women's entrepreneurship.

A citizens' initiative has been launched to have the VAT threshold raised to 50,000 euros. The Women Entrepreneurs of Finland supports the initiative.

- The threshold must be increased at least to the European average. This will encourage more Finns to start up a business and employ themselves. If a corresponding raise is also implemented at the same time in the VAT relief scheme, the decision will also help existing enterprises grow. We also have to keep in mind that a lot of other things, such as the law on public procurement, favour larger enterprises, says the Women Entrepreneurs of Finland.

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