

# FEE TAX DAY

---

What issues for taxation of SMEs?

11 October 2011

Eduard Rosianu, CFO of Eurojet Romania

# Eurojet Romania



- Executive Aviation since 2004
- Fleet of 5 jets
- Capital: Euro 19M
- Estimated turnover 2011 Euro 10M
- Headcount: 28 staff

# SME's Challenges and wishes

- SME's increased administrative costs and higher difficulties to comply with the EU and national legislation
- EU legislation through Council Regulations, rather than Council Directives will simplify tremendously the entire process
- Home State Taxation for SME's - a good initiative that could support and enhance our cross-border activities

# VAT Exemptions – Challenges

- VAT exemption for an aircraft supply acquired/imported by a start-up company
- Lack of proper implementation and knowledge of the VAT exemptions related to international transport
- The interpretation of certain law provisions, such as “supply of services to meet the direct needs of the aircraft”

# VAT Exemptions – Example

- Repair and/or maintenance of equipment incorporated in an aircraft is VAT exempt



# VAT Exemptions - Business wishes

- Based on its Airline Operator Certificate, the airline should qualify for all exemptions available to international transport. Any supplies of services/goods should be considered as provided to an airline operating international routes.
- Replacement of wordings such as “supply of services to meet the direct needs of the aircraft” with more exhaustive terms like “supply of services directly related to the aviation activity”

# Direct taxation – Challenges

- Aircrafts Operating Leases vs. Royalties definition from Double Tax Treaties (DTT)
- Higher costs for lessees (SME's) caused by withholding tax application, as the rental amount will be always net of any taxes
- Administrative burden and legal bureaucracy for lessors, as they are obliged to register subsidiaries in the countries with favorable DTT's, such as the Netherlands or Ireland

# Direct taxation – Challenges

- Many small and medium aviation companies from EU Member States hire freelance pilots, registered or not as self-employed in their home countries
- Lack of knowledge of domestic tax laws and regulations
- Confusion among EU professionals, i.e. pilots, crews about the type of contracts they should conclude when providing services to EU companies



# Direct taxation – Business wishes

- Amendment of DTT's seeing operating lease as a royalty
- Enhanced information from tax authorities to self-employed individuals
- Common approach within the EU Member States about qualifying freelance pilots and crew as independent professionals, in relation to the application of the DTT's provisions

Thank you for your attention!  
Q & A



**eurojet**  
România