

“NATIONAL TAX MEASURES TO SUPPORT PEOPLE WITH DISABILITIES IN THE EU”

Mr. Javier Güemes Pedraza

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Good afternoon, ladies and gentlemen,

It is a great honour to be invited to this hearing. My name is Javier, and I am the Director of International Relations of the ONCE Social Group.

First of all, I would like to thank the European Parliament for once again hosting us as part of the Disability Rights Week.

The support of this Parliament for persons with disabilities has been invaluable to us, and we look forward to keeping our collaboration throughout the next legislature.

The role that the Parliament has played over the years has very clear proofs in European Legislation – we can find references to persons with disabilities or to the UN Convention (our guiding principles) across policy sectors (such as social and labour legislation, transport, funding) as well as in very specific files, such as the recently adopted European Disability Card.

But today I am here to give my best attempt at widening that support to the – not always easy – field of EU taxation policies.

CURRENT CONTEXT

First, let me bring you some examples of fiscal and tax measures put in place in my home country (Spain) that have proven invaluable to support the social inclusion of persons with disabilities in all aspects of life.

Spain has put in place several tax incentives, especially in the area of employment for persons with disabilities.

One of these measures is **Corporate Tax Deductions**: any corporation can apply for a tax deduction of 9,000 EUROS per person per year for workers with a disability degree of 33% or higher, going up to 12,000 EUROS per person per year for workers with a disability degree of 65% or higher.

If a company offers permanent contracts to persons with disabilities – something we advocate for at ONCE – it can also benefit from **Social Security Contribution Bonuses**, ranging between 5000 to 6000 EUROS per year per person.

Spain also offers a number of **State Aid and direct subsidies for persons with disabilities**, either in terms of salary subsidies or as aid to compensate for additional costs of employing workers with disabilities, including costs of adapting premises and equipment. This type of state aid, by the way, is possible thanks to the General Block Exemptions Regulation (the so-called GBER), a piece of legislation in which European Parliament was key to include provisions supporting persons with disabilities.

Spanish **VAT rules also include a number of reduced rates for persons with disabilities**, but we unfortunately see them very much limited to some assistance services, such as medical and assistance equipment or home care services for people with disabilities.

While all these national measures are of capital importance for persons with disabilities as well as for the organizations that support them and their environment, from ONCE we believe that much more could be achieved.

And while we are aware of the competence limitations of the EU in matters of fiscal and tax policies and regulations, we believe that there is still space to continue going forward with EU-wide measures to help persons with disabilities, while respecting national competences preserving the good functioning of the Single Market.

When it comes to the subsidies that I mentioned earlier, it is important to highlight that their mere existence depends on the provisions included in a European Regulation. From that perspective, at ONCE – and I can speak on behalf of the whole European Disability movement – we will continue to support the European institutions to preserve the eligibility of state aid for the employment of persons with disabilities under the GBER. It is yet

unclear whether the Commission will review the Regulation again; should they decide to, we will work together with this House to maintain those categories of exempted state aid that have generated so much value at the national level.

The question of VAT is of course slightly different and, why not, more complicated. As you know, VAT rules are harmonised to a certain degree by the VAT Directive of 2006. We believe that some improvements could be made to allow Member States going beyond assistive services when it comes to imposing VAT rates.

ADVOCACY OBJECTIVES

As it currently stands, the Directive establishes that Member States can apply reduced VAT rates only on supplies of goods by charitable organizations recognized by Member States and engaged in social assistance and social security.

Whilst these provisions have already allowed countries like Spain to use reduced rates for certain types of services benefiting persons with disabilities, we believe that it is time for EU legislation (and therefore national laws) to go beyond specific services and encourage the financing of longer-term support and inclusion strategies for persons with disabilities.

This becomes an even more pressing need considering the financing challenges that many non-profit or civil society organizations working with persons with disabilities face in their day-to-day lives.

As we witness at ONCE, social entities are facing great difficulties, among others as a result of a historical under-funding. This funding – often dependent on public bodies – does not usually take into account market effects such as the updating of minimum interprofessional wages, changes in collective agreements or the indexation of the Personal Income Tax itself. Therefore, it is essential (even to ensure the survival of many of these entities) to find fiscal formulas that allow these entities to continue competing in the market in which they operate.

As regards VAT, the situation is even more critical, as social service providers are at a disadvantage compared to 'commercial' providers: being conventional companies, these providers could pass on the VAT imposed on their services, something that social entities cannot do.

This is the reason why we believe that social entities – many of them working with persons with disabilities – should be eligible for 0% VAT rates in the markets they operate. This would, of course, require changes in the 2006 VAT Directive to allow for such reduced rates.

PROPOSALS THAT WE WOULD LIKE TO BE TAKEN INTO ACCOUNT

Allow me to use my speaking time today to ask for the Parliament's support in such endeavor. We believe that such a change to the VAT Directive would redress the competitiveness of the non-profit sector working with persons with disabilities, giving it all capacities to keep competing in a functioning market.

But let me be clear about our position: we do not want to include loopholes or unfair exemptions for our own benefit; it should be based on clear evidences and limited to those organizations working directly with persons with disabilities, based on the following premises:

1. Any amendment to the VAT Directive in this sense should be very clearly limited to a robust definition of 'social entities' – for example those belonging to the EU definition of 'social economy enterprises'.
2. The application of a 0% VAT rate to these entities should not affect competition between service providers or the functioning of the internal market. On the contrary, the applicability of a 0% rate is a necessary measure to allow social entities – which suffer unaffordable costs in terms of VAT without the right to deduct – to compete on equal terms.
3. The application of the 0% rate cannot be perceived as an element of compensation. In this sense, let me insist on the fact that the final beneficiaries will not have to assume additional costs for access to the goods or services provided.

4. The application of the 0% rate for these entities will not entail an increase in public expenditure, nor an increase in the prices assumed by the beneficiaries. In this sense, we will soon be working on updating a study on the possible economic impact of the measure that may be updated.
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IN SUMMARY

EU's fiscal policies for persons with disabilities are crucial for promoting equality, inclusion, and improved quality of life. Our experience in Spain highlights the importance of this issue.

I am personally encouraged that, through meetings like today's, the European Parliament keeps demonstrating recognition of the need to address tax policies that impact persons with disabilities.

Let us all remind ourselves that the updated EU Disability Rights Strategy emphasizes the importance of ensuring the availability and affordability of assistive technologies, as well as facilitating freedom of movement for persons with disabilities across Member States. These are objectives that could be further enhanced through socially-driven fiscal policies across Member States.

But current EU fiscal rules may limit the ability of Member States to meet social investment gaps, including those related to disability support. To address these challenges, the EU should consider developing more flexible fiscal rules that allow for necessary social investments, implementing progressive taxation measures to generate additional resources for disability support and creating a long-term EU investment fund specifically for social and disability-related initiatives.

By prioritizing fiscal policies that support persons with disabilities, the EU can create a more inclusive, accessible, and equitable society for all its citizens.

And I know that this European Parliament will answer our call to working together towards that objective.

Thank you very much.