

SPECIAL COMMITTEE ON TAX RULINGS (TAXE)

TAX RULINGS AND OTHER MEASURES SIMILAR IN NATURE OR EFFECT

BACKGROUND

The word 'tax rulings' has appeared frequently in news, parliaments' debates and political discussions, recently. This is hardly a surprise following unprecedented public and political anger at the aggressive tax planning activities and the alleged beneficial tax treatments granted to multinational undertakings across the EU. The issue is politically sensitive as tax matters are Member States' responsibility. At the same time, it deserves serious EU policy scrutiny as tax rulings practices may be at odds with EU state aid rules.

Which advice can scientific expertise and policy experience offer to EU institutions and decision-making as they attempt to combine national (tax) preferences and EU-wide reforms in the tax field? What are the features of tax rulings in general and of the tax rulings practices in various EU Member States? What are the challenges that EU tax policy makers will face as they move towards a more transparent tax environment and enhance the automatic exchange of (tax) information? Which options of reform are available to counter profit shifting and tax base erosion, in particular for services and non-tangible goods? Do state aid rules always have a role to play in this context? As EU main trading partners do not have a state aid regime in place, what are the economic implications for the EU of a wide adoption of OECD's action plan on base erosion and profit shifting (BEPS)?

An in-depth analysis from key tax experts in these areas is provided in these papers, which fed into the legislative own-initiative report "Tax rulings and other measures similar in nature or effect" (rapporteurs MEP Ferreira and Theurer). The papers as well as the June workshop on tax rulings have been prepared by the Policy Department A, as a response to the request of the TAXE Special Committee of the European Parliament.



INSIDE

This leaflet provides a compilation of papers prepared by the European Parliament's Policy Department A: Economic and Scientific Policy

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In-Depth Analysis on Overview of Existing EU and National Legislation on Topics Covered by TAXE Mandate'



This paper deals with the question of what advance tax rulings, advance pricing agreements and other tax arrangements currently are like and how they are meant to develop. Therefore, it is necessary to understand the reasons of their existence and to know the legal and policy limits that should be taken into account on OECD, EU and national levels. The paper gives an overview of the features of tax rulings in general and of the tax rulings practices in the 28 Member States in concrete terms.



In-Depth analysis on 'EU State Aid Law and National Tax Rulings'



This paper sets out how tax rulings can be subject to state aid scrutiny if they lead to a beneficial tax treatment of a particular undertaking that is not in line with the normal application of national tax law. However, a deviation from national law in itself is not always an indicator of selective aid. As national law is the only relevant benchmark, the state aid regime is not designed to impose particular doctrines or best practices on the tax systems of Member States.



In-Depth analysis on 'Nominal vs. Effective Corporate Tax Rates Applied by Multinational Enterprises'



The international tax system is at a critical juncture. The G20 and the OECD are leading an important international project for its reform: the Base Erosion and Profit Shifting (BEPS). The project was launched following unprecedented public and political anger at the aggressive tax planning activities of multinational enterprises (MNE). Reform at the EU level is also underway; both in parallel with the BEPS project but also beyond it. This paper provides some background to these developments. In particular, it explains a number of significant aggressive tax planning techniques and mechanisms used by MNEs and provides an overview of the empirical evidence on the scale of this behaviour. In other words, this paper looks at how and how much aggressive tax planning by MNEs takes place. The paper also provides a concise overview of the basic structure of the international tax system as well as the factors undermining it.



In-Depth analysis on 'Intellectual Property Box Regimes'



This paper contributes to the current debate on Intellectual Property (IP) Box regimes, IP tax planning and OECD's base erosion and profit shifting (BEPS) project. The aim is three-fold: First, to provide a systematic overview of the 12 IP Box regimes in place in Europe by the end of 2014, and present effective tax rates associated with the IP Box regimes and the use of popular IP tax planning modes; second, to evaluate the IP box regimes on the basis of the EU State Aid rules and the EU Code of Conduct for business taxation; third, to discuss options to reform the taxation of IP income in order to counter profit shifting and tax base erosion.



In-Depth Analysis on 'Overview of Legislation Practices Regarding Exchange of Information Between National Tax Administrations in Tax Matters'



There is an increasing need for information exchange between states on tax-related issues. In this vein, the OECD and the EU have developed better instruments of information exchange. This paper provides an overview of recent developments and explains the content and function of the legal sources. Further the paper deals with the legal protection of taxpayers and personal data. It emphasizes the necessity of an international tax secret as an EU minimum standard.



In-Depth Analysis on 'Selected International Third-Country Tax-Governance Issues'



This paper examines some of the pressures that European countries will face over the coming decade as they move towards a more transparent tax environment and continue to push for better tax compliance and the impact on promoting good governance in third countries. The first part of this paper provides a brief overview of some of the megatrends that will affect tax systems and then looks at some of the trends in tax levels and structures. This is followed by an examination of some of the challenges that EU tax policy makers face and how EU governments are responding to these challenges.



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