



TEXTS ADOPTED

P9_TA(2022)0290

National vetoes to undermine the global tax deal

European Parliament resolution of 6 July 2022 on national vetoes to undermine the global tax deal (2022/2734(RSP))

The European Parliament,

- having regard to Title III and Articles 113, 115, 116 and 326 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Articles 4 and 20 of the Treaty on European Union (TEU),
- having regard to the statement of the Organisation for Economic Cooperation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) entitled ‘Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy’, which had been joined and agreed to by 137 out of 141 members as of 4 November 2021,
- having regard to the OECD/G20 Inclusive Framework on BEPS Pillar II model rules for domestic implementation,
- having regard to the Commission proposal of 22 December 2021 for a Council directive on ensuring a global minimum level of taxation for multinational groups in the Union (COM(2021)0823),
- having regard to its position of 19 May 2022 on the proposal for a Council directive on ensuring a global minimum level of taxation for multinational groups in the Union¹,
- having regard to the Commission communication of 15 January 2019 entitled ‘Towards a more efficient and democratic decision making in EU tax policy’ (COM(2019)0008),
- having regard to the EU Tax Observatory analysis of 25 October 2021 entitled ‘Revenue effects of the global minimum tax: country-by-country estimates’,
- having regard to the Economic and Financial Affairs Council conclusions of 5 April 2022 and the outcome of the meeting of 17 June 2022,

¹ Texts adopted, P9_TA(2022)0216.

- having regard to the final report of the Conference on the Future of Europe and to its resolution of 4 May 2022 on the follow-up to the Conference on the Future of Europe¹,
 - having regard to its resolution of 29 April 2021 entitled ‘Digital taxation: OECD negotiations, tax residency of digital companies and a possible European Digital Tax’²,
 - having regard to its resolution of 10 March 2022 with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (EP follow-up to the July Commission’s Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)³,
 - having regard to the International Monetary Fund (IMF) study of 25 May 2021 entitled ‘Taxing Multinationals in Europe’,
 - having regard to the latest IMF estimates in the April 2022 Fiscal Monitor,
 - having regard to its resolution of 19 May 2022 on the social and economic consequences for the EU of the Russian war in Ukraine – reinforcing the EU’s capacity to act⁴,
 - having regard to Rule 132(2) and (4) of its Rules of Procedure,
- A. whereas as of the 4 November 2021, 137 out of 141 members of the OECD/G20 Inclusive Framework on BEPS, including all EU Member States, agreed on the reform of the international tax system through a two-pillar solution to address the challenges stemming from the digitalisation of the economy, including placing multilaterally agreed limitations on profit shifting and tax competition with the introduction of a global minimum rate of 15 %; whereas the agreement is the result of a broad compromise and the outcome of several rounds of negotiations which took place over several years;
- B. whereas the implementation of the global minimum tax rate under this two-pillar reform would see countries collect approximately USD 150 billion in new revenues annually⁵; whereas the historic agreement reached at the OECD/G20 Inclusive Framework on BEPS meeting in October 2021, which enjoys broad support from countries representing more than 90 % of the global economy, is a great political success that needs to be quickly and widely implemented to turn it into a social and economic success and foster fair taxation;
- C. whereas according to the latest IMF estimates, the minimum tax is estimated to raise global corporate income tax revenues by 5,7 % through the top-up tax and potentially by a further 8,1 % through the agreed limitations on profit shifting and tax competition⁶;

¹ Texts adopted, P9_TA(2022)0141.

² OJ C 506, 15.12.2021, p. 54.

³ Texts adopted, P9_TA(2022)0082.

⁴ Texts adopted, P9_TA(2022)0219.

⁵ <https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm>

⁶ IMF, *Fiscal Policy from Pandemic to War*, p. 28, <https://www.imf.org/en/Publications/FM/Issues/2022/04/12/fiscal-monitor-april-2022>.

- D. whereas the EU alone would stand to increase its corporate income tax revenue by approximately EUR 64 billion annually by levying a minimum effective corporate tax rate of 15 % in accordance with Pillar II of this global deal¹;
- E. whereas tax matters in the Union are subject to a special legislative procedure and are decided on by unanimity in the Council; whereas the Commission proposal for a Council directive of 22 December 2021 to implement Pillar II of the Inclusive Framework has as its basis Article 115 TFEU;
- F. whereas all OECD and G20 countries, including all 27 EU Member States, supported the agreement to reform international tax rules in October 2021;
- G. whereas, despite this commitment, the adoption of an EU directive to uphold and implement Pillar II of this international agreement (Pillar II Directive) has failed three times at the Economic and Financial Affairs (ECOFIN) configuration of the Council of the European Union, due to the failure to reach unanimity;
- H. whereas in the Council negotiations, Poland invoked its national veto to prevent the adoption of the Pillar II Directive across the Union, despite it being supported by all of the other 26 Member States; whereas Poland later dropped its opposition;
- I. whereas Hungary, in spite of having agreed to the implementation of the directive at previous ECOFIN meetings, invoked its veto at the June 2022 ECOFIN following the withdrawal of the veto by Poland;
- J. whereas the public revenue deriving from the implementation of the Pillar II Directive in the EU would be particularly significant given the unprecedented impact of the combination of the Russian aggression in Ukraine, the disturbance of global supply chains, and the need to ensure the post-pandemic economic recovery and the investments needed to deliver the EU climate goals;
- K. whereas many attempts have been made over the past few decades to establish a minimum rate of corporate income tax in the Union;
- L. whereas the final outcome of the Conference on the Future of Europe covered proposals on fiscal and tax policies, as presented in the report thereon of 9 May 2022;
- M. whereas involving the European Parliament through the ordinary legislative procedure would enhance decision-making in the area of taxation and lead to more effective, relevant and ambitious outcomes for EU tax policy;

General considerations

1. Asserts that existing international tax rules are largely outdated and unable to address the increasing digitalisation of the economy and effectively curb tax evasion and avoidance; highlights the urgent need for the reform of the rules through the adoption of the OECD/G20 global tax deal, to ensure that the international, EU and national tax

¹ <https://www.taxobservatory.eu/wp-content/uploads/2021/10/Note-2-November-2021-1.pdf>

systems are fit for the new economic, social and technological challenges of the 21st century;

2. Notes with great concern the fragmentation of national corporate tax rates within the EU, which can have a distorting effect on the single market and harm the EU economy; takes note, additionally, of the continuing decline of average corporate income tax rates in the EU over the past decades; reiterates the urgent need to establish a broad tax base and reduce the space for tax evasion, tax fraud and aggressive tax planning, including through the implementation of the OECD/G20 deal at EU level;
3. Highlights that the existing tax rules and mismatches between tax rules across Member States and further afield, coupled with a lack of international cooperation, among other issues, are enabling multinationals to engage in aggressive tax planning which significantly reduces their effective tax rates; recalls that this situation also places small and medium-sized enterprises (SMEs) at a significant competitive disadvantage, as they are paying considerably higher effective tax rates than multinationals, which is unacceptable;
4. Highlights its recently adopted position on the Pillar II Directive, which calls for rapid implementation by January 2023;
5. Underlines that Hungary's reported demands, notably in relation to substance-based carve-outs, were already largely taken into account in the international agreement;
6. Reminds all Member States, in this context, of their commitment to the OECD global deal; stresses that a quick and extensive implementation of the agreement will be decisive for the global success of the process; stresses the importance for the EU of assuming a global leadership role in fighting tax havens by being the first region to implement the OECD agreement; stresses the risks of and associated with non-implementation of the Pillar II Directive in the EU; underlines that the non-implementation of the Pillar II Directive by the EU could jeopardise the implementation of Pillar II by the US and other jurisdictions;

Current decision-making process and impact of national vetoes

7. Reminds the Member States that unanimity as it appears in the Treaties must be counterbalanced by a very high level of responsibility and must be in line with the principle of sincere cooperation based on Article 4(3) TEU;
8. Stresses that unanimity voting in the Council over tax policy is not conducive to ushering in the changes needed to tackle the current challenges; regrets that the current situation often leads to delays and lack of progress in the harmonisation and coordination of tax rules across the Union that would be to the benefit of all;
9. Underlines that national vetoes have consistently hampered progress in many important areas of taxation; deplores the fact that proposals such as the Common Consolidated Corporate Tax Base (CCCTB), the revision of the Interest and Royalties Directive and the reform of the Code of Conduct on Business Taxation have remained blocked in the Council;
10. Condemns the fact that national vetoes in taxation matters have been abused by certain Member States to achieve concessions in other policy areas; stresses that the existence

of these vetoes threatens to perpetuate harmful tax practices and social injustice that undermine the Union's ability to function effectively, foster a level playing field and protect the best interests of its citizens and SMEs;

Recommendations for action and areas for reform

11. Reiterates its call on the Council to swiftly adopt the Pillar II Directive to ensure the agreement is effective by January 2023;
12. Urges Hungary to put an immediate end to its blockage of the global tax deal in the Council; deplores the fact that a single Member State has the capacity to keep both the implementation of such a historic deal and 26 other Member States at a standstill;
13. Urges the Commission and the Council not to engage in political bargaining with Member States who abuse their national vetoes;
14. Reiterates its call on the Commission and the Council to insist on the agreed conditionality of EU policies and the transparency of decision-making and to refrain from approving the Hungarian national recovery and resilience plan until Hungary has fully complied with all criteria set out in the regulation, in particular with the country-specific recommendations in the field of the rule of law, the independence of the judiciary and the prevention and detection of and fight against fraud, conflicts of interest and corruption;
15. Stresses that all possible scenarios should remain on the table in the current context, and that swift action must be taken if Hungary persists with its national veto in the coming months; urges the Commission and the Council to explore alternative options to allow the EU to honour the commitments it has made at OECD/G20 level;
16. Calls on the Commission and the Member States to reflect on potential short-term measures to allow the EU to fulfil its international commitments, such as determining whether it would be appropriate, as a last resort, to implement the global tax deal through the enhanced cooperation procedure laid down in Article 20 TEU; considers, in case no other alternatives for EU-level implementation can be agreed upon, that unilateral implementation of the Pillar II Directive by all Member States would deliver acceptable results;
17. Calls on the Commission to make use of the procedure on certain tax policies laid down in Article 116 TFEU, if appropriate; recalls, in this regard, Ursula von der Leyen's manifesto from her candidacy for President of the Commission, which included a commitment to 'make use of the clauses in the Treaties that allow proposals on taxation to be adopted by co-decision and decided by qualified majority voting in the Council';
18. Recalls former Commission President Jean-Claude Juncker's 2018 state of the Union speech, which called for decisions to be taken by qualified majority for certain tax matters;
19. Stresses that, for the long term, Member States should consider the added value of transitioning to qualified majority voting, as recommended by the Conference on the Future of Europe; calls on the Commission, in this regard, to relaunch the discussion on the use of qualified majority voting in some tax matters through a phased approach, as a

follow-up to its 2019 communication on the issue, and as a response to the outcome of the Conference on the Future of Europe;

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20. Instructs its President to forward this resolution to the Council, the Commission, and the governments and parliaments of the Member States.