

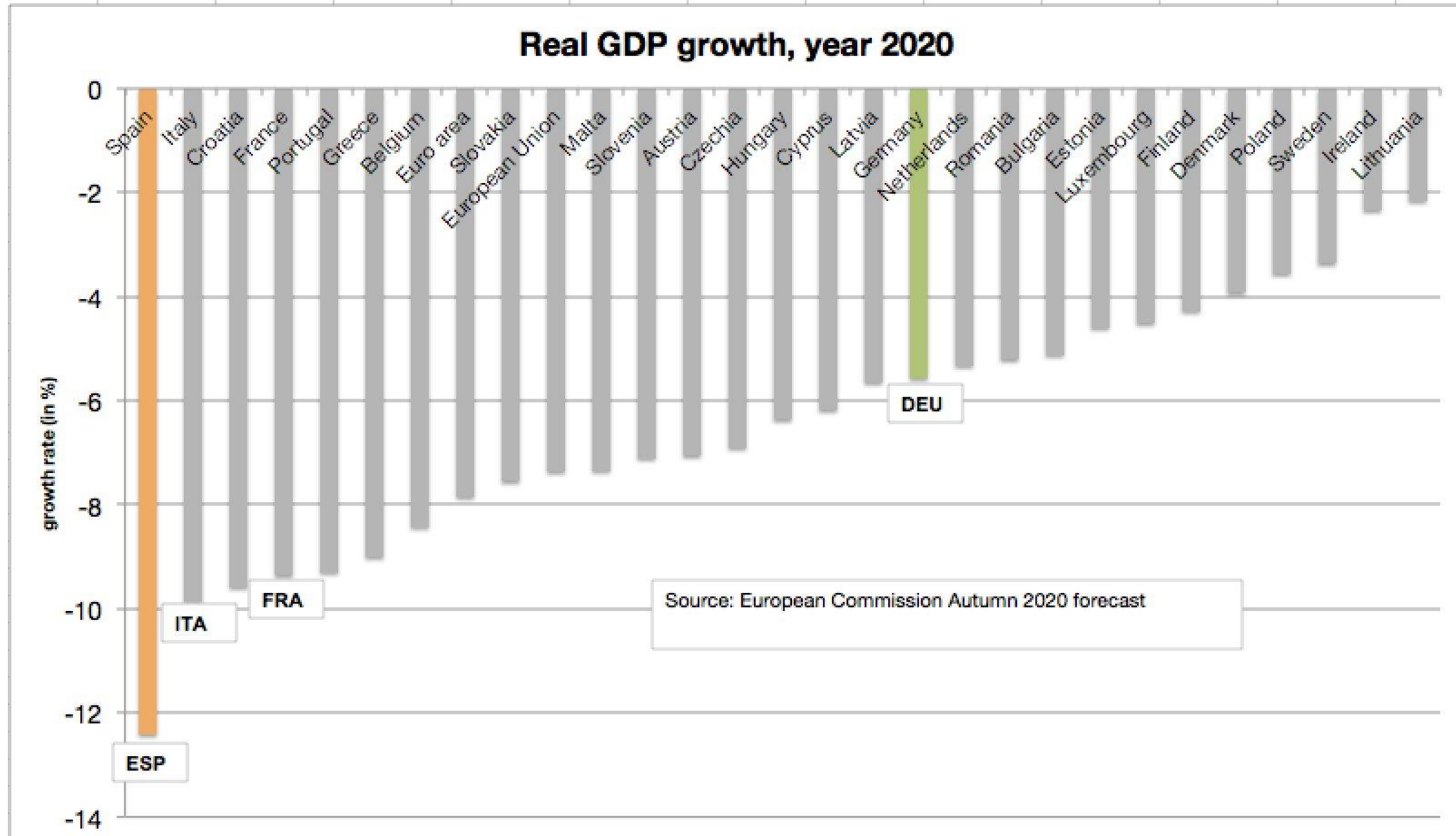
**PUBLIC HEARING**  
**ON**  
**THE ROLE OF TAX POLICIES IN THE**  
**CONTEXT OF THE**  
**ECONOMY RECOVERY**

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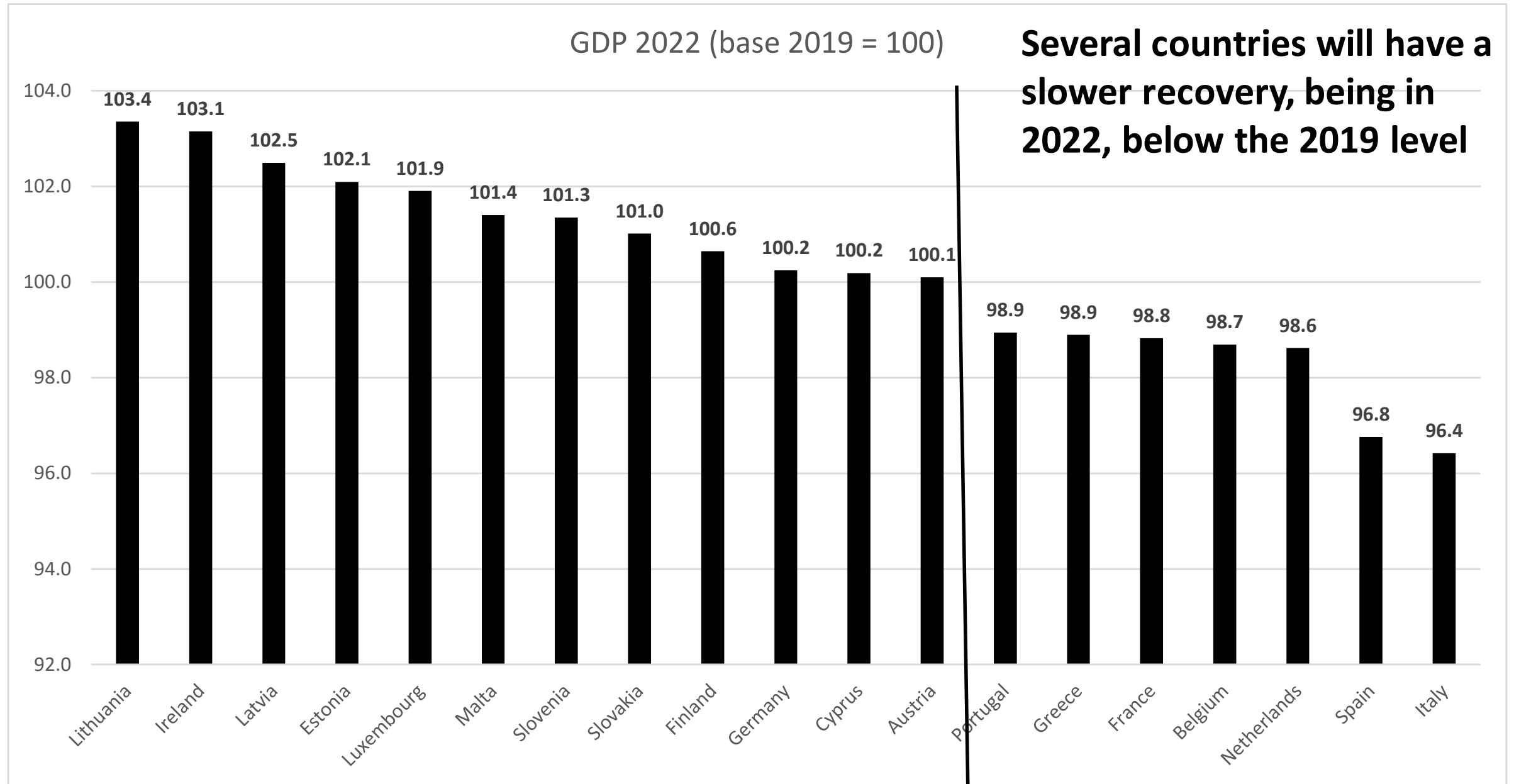
# This crisis is not affecting all EU countries in the same way



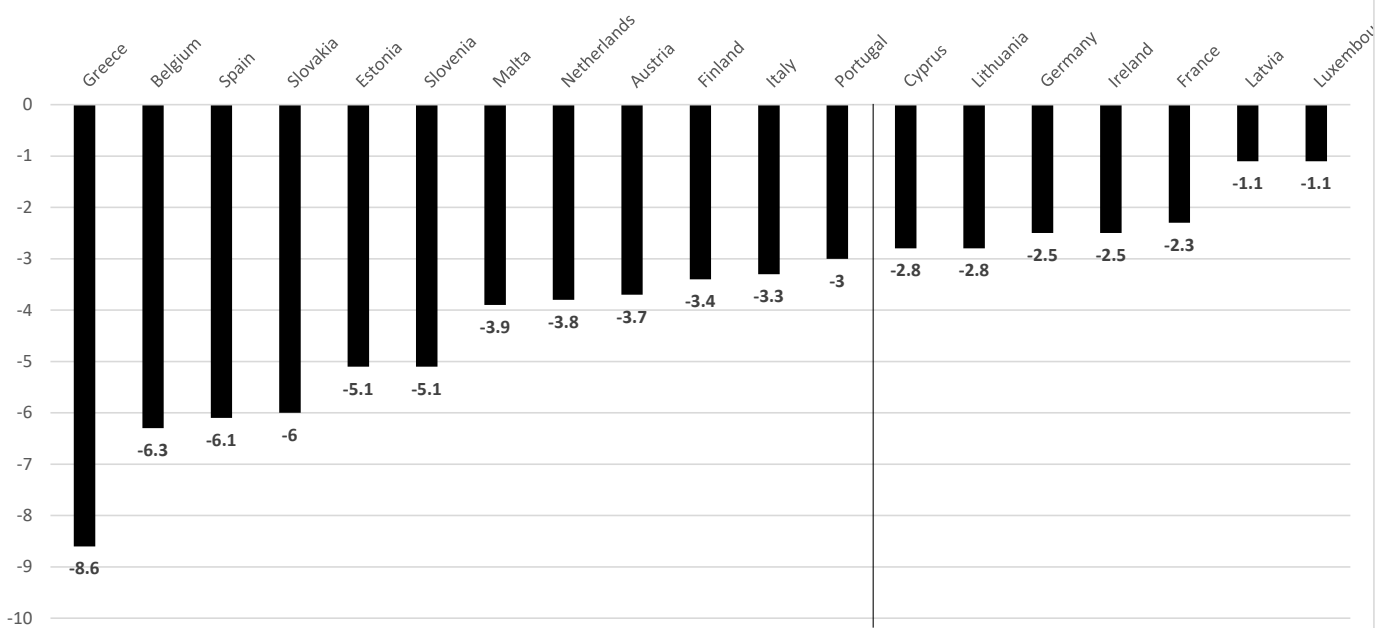
# This crisis is not affecting all EU countries in the same way

GDP 2022 (base 2019 = 100)

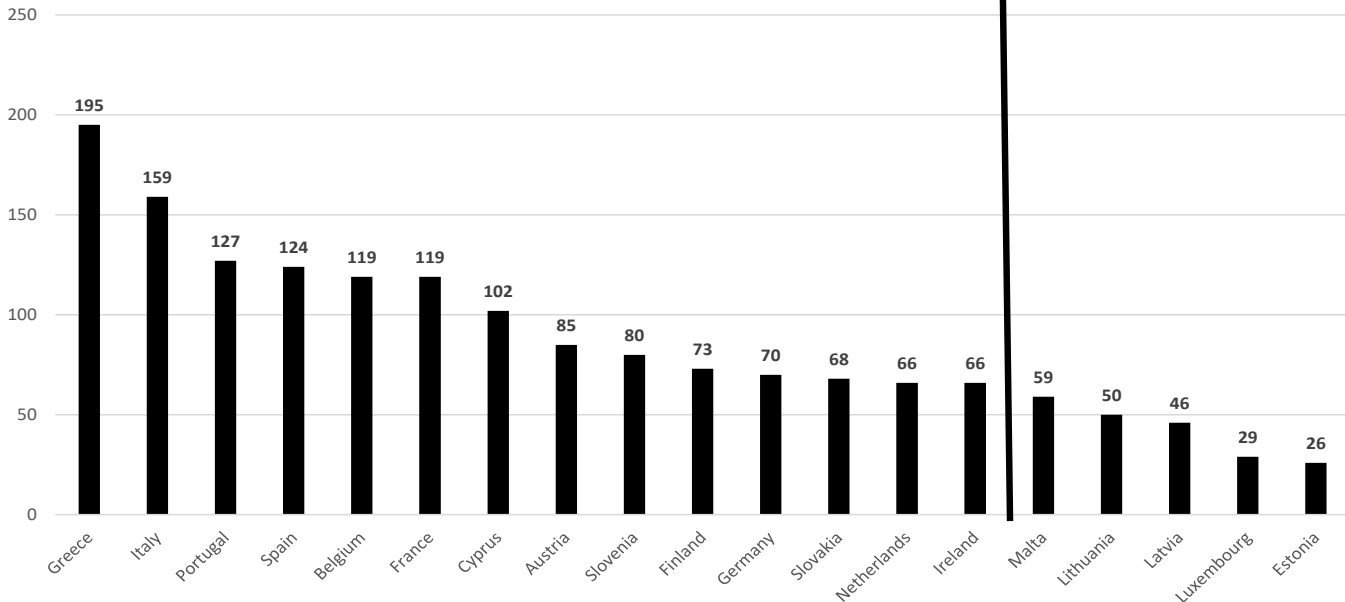
**Several countries will have a slower recovery, being in 2022, below the 2019 level**



Forecast deficit for 2022 as % GDP



Public Debt as a % GDP (2022)



**In some countries  
Fiscal balance and public  
debt will be a problem again**

**Countries with public debt  
above 100% of GDP will face  
more difficulties and the  
need for fiscal consolidation**

Autumn 2020 Economic Forecast

## Public Debt 2022 (% GDP)

	2019	2022	Variation
Spain	96	124	28
Italy	135	159	24
Belgium	98	119	21
France	98	119	21
Slovakia	49	68	19
Estonia	8	26	18
Netherlands	49	66	17
Malta	43	59	16
Greece	180	195	15
Lithuania	36	50	14
Austria	71	85	14
Slovenia	66	80	14
Finland	59	73	14
Germany	60	70	10
Portugal	117	127	10
Ireland	57	66	9
Latvia	37	46	9
Cyprus	94	102	8
Luxembourg	22	29	7

- ❑ Public debt is going to increase, in most countries, 10 to 20 p.p.
- ❑ Yet, the starting point of the EU members is very different
- ❑ Countries such as Greece, Italy, Portugal and Spain had in 2019 a very high level of public debt as % GDP
- ❑ Countries such as Ireland, Germany or the Baltic countries started this crisis with low levels of public debt

## How can we use taxes to help EU countries to economic recover from the crisis of the new Coronavirus?

### On the short term:

- ❑ Firms need capital and not loans
- ❑ EU should consider using funds and EU debt to reduce taxation (temporarily) in the EU member, over firms (in the economic sectors more affected by the pandemics and the crisis) and families (also those affected by the crisis)
- ❑ To reform the framework of national administrations cooperation on tax matters, putting forward a profound revision of the Directives on Administrative Cooperation that opens the door to more integration on this dimension. The priority must be the combat against tax fraud and evasion and the mechanisms to prevent the use of loopholes to avoid paying taxes.
- ❑ To allow a flexible framework for tax incentives to SMEs, within the state aid rules, trying to save jobs

## On the long-term

### Fight tax evasion and fraud

Fully implement the BEPS directives from OECD

Implement guidelines and rules to prevent abusive tax planning schemes and mechanisms

Reinforcement of ATAD Directive

## On the long-term

- Strengthen the EU tax harmonization, mainly at the corporate tax base**
  - Adoption of CCCTB will help to reduce corporate tax distortions between EU members.
  - Create a limit (low and high) on the corporate tax rate to be applied by the EU members, further reducing distortions on corporate tax.



## On the long-term

- ❑ **New taxation on digital, carbon and financial transactions**

### On Digital:

- ❑ How to tax the big firms?
- ❑ How to do it locally?
- ❑ How to measure the value of the several

**Yet, US and China have also to take steps in this direction, otherwise Europe will pay a heavy price on competitiveness and welfare without a major impact on the environment**

## On the long-term

- ❑ On carbon (a Pigouvian tax):
  - ❑ Create a carbon tax for products imported (outside EU) that compensates the negative externality of ship freights on Co<sub>2</sub>.
  - ❑ A carbon tax for the negative externality of air travelling on Co<sub>2</sub>.
  - ❑ Effective taxation that incentivises the use of public transports
  - ❑ Do not tax on carbon economic activities in direct competition with other world areas, mainly US and China

## On the long-term

### On the Financial Transaction Tax

- The European banking sector was, before the crisis, already in a difficult situation in terms of solvability and profitability.
- The crisis will put the banking sector under much more pressure
- Increasing taxation on the banking sector at this moment may be contra prudence
- Experience in Italy and France shows low level of revenues and low impact on the market volatility.