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ON THE ROLE OF TAX POLICIES IN THE CONTEXT OF THE ECONOMIC RECOVERY

Speaking Notes – Liina Carr, ETUC Confederal Secretary

Tax not austerity must pay for the recovery!

The debate about taxation policies in the context of the economic recovery needs to be placed within a broader context of tax justice: who, what and how should be taxed, not only in the EU but Globally, fighting tax fraud, tax avoidance and tax evasion.

From a trade union perspective there are two objectives:

- To increase tax revenues in a progressive and a lasting basis,
- To influence companies' behaviour towards more sustainability.

To give you some figures to illustrate where this conviction comes from:

Some Estimates of the drain on resources:

- \$500 – \$600 billion corporate tax revenue a year lost from profit-shifting by multinational enterprises
- \$7 trillion of private wealth is hidden in tax haven countries
- 10% of world GDP may be held in offshore financial assets
- \$20 – \$40 billion a year estimates in bribes received
- 2.7% of global GDP in money-laundering by criminals

Improve tax efficiency and tax justice by adopting taxes on financial transactions and corporate profits including new digital tax measures.

The fortunes of high net worth individuals - growing numbers of personal billionaires - and corporations including digital corporations - keep increasing especially during the pandemic.

The global economy is expected to contract 4.4 per cent this year — the sharpest contraction in modern history — throwing millions into poverty, according to the IMF.

According to the EC's Autumn Economic Forecast the EU's economy is projected to contract even more – 7.4%, Euro area 7.8%. But the world's billionaires have grown wealthier compared with 2019, according to data compiled by UBS with total billionaire wealth reaching 14.2 trillion as at July. At the same time the labour income share is falling, inequalities are on the rise.

We should tax the corporations and tax them where they make their profits:

→ adopt a 25 per cent minimum corporate effective tax rate, as essential to tackling tax avoidance, tax competition and social dumping;

→ a billionaire tax and a global digital tax: the fortunes of billionaires (including tech giants whose profits increased by 41% to June 2020) keep increasing even during the pandemic

while millions of people worldwide are excluded from basic services, such as access to healthcare and social protection.

→ In Europe according to the Scientific Council of the German Ministry of Finance, expected revenue of the Financial Transaction Tax (FTT) would be around €3.5 billion annually. According to the impact assessment of the first proposal made for an FTT at the European level in 2011, the expected revenues could reach €57bn per year. On the Global arena a FTT could potentially generate around US\$15-75 billion per year; currency transaction taxes, US\$40 billion per year to support the recovery from the pandemic while scaling back the power of financial markets

There is an urgency to end tax havens and illicit financial flows by implementing stronger mechanisms for compliance.

With more than US\$ 20 trillion (by the most conservative estimates) stashed away in tax havens by corporations and individuals, there is more than enough money in the world to tackle the health and economic consequences of the pandemic, adding great urgency to the need for reform of taxation rules globally and nationally, which to date has moved at glacial pace.

A recent study published in the *Journal of International Business Policy* on «Group subsidiaries, tax minimization and offshore financial centres: Mapping organizational structures to establish the 'in-between' advantage» (2020) identified companies for which more than half of the operating profit or more than half of the profits are recorded in tax havens and then, specifically, in intermediate subsidiaries. This is, according to the authors, where the most developed tax avoidance strategies are to be found. They thus come up with a list of 25 companies that have set up, in their words, "spaces of opportunity for tax arbitrage strategies". The most represented sectors are those of the Big Pharma labs (Bayer, **Pfizer**, Novartis, Sanofi) and industries linked to the exploitation of raw materials (Shell, BP, Glencore, Eni, Engie, ArcelorMittal).

Improve EU and global governance on taxation

In the context of existing challenges, the OECD work on domestic tax base erosion and profit shifting (BEPS) remains fundamental to supporting efforts to increase international cooperation on taxation.

It is time to put in place public country-by-country reporting in the EU, not only for banks but all multinational companies.

The OECD process on establishing digital services taxes has been postponed at least up to June 2021. The EU needs to develop its own strong proposal on this. We know that there are many problems in the OECD proposal, especially in Pillar 1.

EU response to the COVID-19 crisis:

Looking at the EU response to the crisis the EU has put forward a number of emergency initiatives to alleviate the negative effects on the EU economy. We are not only dealing with the impact of the crisis but the EU is also negotiating the next MFF on which the EP and the Council reached a political agreement on 10 November. The agreement was approved by the EP on 11 November. Now it is in the hands of the MSs approve the deal. This political agreement includes a Roadmap for Own Resources. In addition to the plastics-based contribution as of 2021, the roadmap includes an ETS (Emissions Trading System, from 2023, possibly linked with a carbon border adjustment mechanism), a digital levy (from 2023), and an FTT as well as a financial contribution linked to the corporate sector or a new common corporate tax base (from 2026).

All these proposals take us firmly into the tax policy territory, which means unanimity voting in the Council, making it extremely difficult to get an approval of MSs on any proposal that the EC would put forward. However, the very first obstacle that we need to overcome is raising the ceiling of own resources.

ETUC Position:

The ETUC strongly supports an increase in EU own resources through the various schemes proposed. In fact, the ETUC is favourable to the creation of a European Treasury to manage such systems, which would imply that the principal of the bonds would not need to be repaid but rolled over. The ETUC is worried on the continuous decrease in corporate taxation levels all around the world together with the slow but permanent decrease in private investment as share of GDP.

But important questions still remain open, especially regarding corporate taxation and tax avoidance. Taxes must be paid where the value is created, where workers, sales and assets are located, not only where sales are performed, or on a tiny part of the total profits as suggested in the still-to-be-adopted OECD framework. The ETUC also has serious doubts on the new accounting categories created for such purpose without fundamentally rejecting the use of transfer pricing. We want to see the CCCTB put back on the table, and a minimum effective tax rate of 25% and the EU needs urgently to start the work on EU digital tax. Finally, the ETUC is firmly opposed to considering taxation as a competition issue.

I will end with the call that I started with

Tax not austerity must pay for the recovery!