

Newsletter

Issue 3 - July 2021



Dear reader,

The world of international tax policies is going through remarkable times. The agreement by the G20 Ministers of Finance in the past week, following the agreement by the G20/OECD Inclusive Framework on BEPS on 1 July 2021, is a historic step towards a more robust and fairer international tax system. These developments will have a deep impact on the EU tax system, as indicated by the Commission's recent Communication on

Business Taxation in the 21st Century. The FISC Subcommittee will follow the announced legislative proposals with great interest.

The progress of the negotiations on this two-pillar reform already informed our work over the past weeks in various ways. It was widely discussed in the context of the own-initiative report on the Code of Conduct on Business Taxation, during our public hearing on the development of new tax schemes and notably during our exchange with Members of the Assemblée nationale. The discussion with our French colleagues focussed on the proposed two-pillar reform, with a redistribution of taxing rights of the largest corporates and a global minimum effective tax rate. We also discussed the announced proposal of an EU digital levy. I particularly appreciated this meeting in the context of our continuous engagement with national parliaments and look forward to continuing this exchange with a view to the upcoming French Council Presidency in 2022.

This week, the Commission puts forward two major proposals which are related to the European Green Deal: the revision of the Energy Taxation Directive and the Carbon Border-Adjustment Mechanism. Green taxation is an important priority of the FISC Subcommittee, as has become evident in our last public hearing on the topic. During our work on an own-initiative report on sustainable taxation, which unfortunately was rejected in the committee vote, we have seen that the political views on this matter are very diverse and that it will require a concerted effort to reconcile the different visions and interests.

These and other topics have been on our agenda over the past weeks and I invite you to read this newsletter to learn more about our last and upcoming activities. The reform of the international tax system, the fight against tax evasion and tax fraud, the creation of a more sustainable tax system and other issues will continue to attract our interest and I look forward to continue the work after the summer break.

I hope you enjoy the reading.

Paul Tang
Chair of the FISC Subcommittee



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Public Hearing on “How can technology help in reducing fraud and making tax compliance simpler”



On 25 May 2021, the FISC Subcommittee invited Mr Peter Green (OECD, Centre for Tax Policy and Administration), Ms Stefka Dzhumalieva (European Commission, DG TAXUD), Mr Momchil Sabev (European Commission, DG TAXUD) and Mr Vincent Drezet (former Secretary General of the “Syndicat National Solidaires Finances Publiques”) to discuss how technological developments help in reducing fraud and making tax compliance simpler.

In his opening statement, Mr Green highlighted the potential use of technology to improve services for taxpayers to make tax compliance easier and to facilitate tax assessment based on increased data sources and tools for data analysis. Mr Sabev presented some examples of how technology contributes to the prevention of fraud, such as tracking transactions through the Transactional Network Analysis or the processing of payment data on cross-

border transactions through the Central Electronic System of Payments. Ms Dzhumalieva, presented the benefits of blockchain for tax administration and laid out some pilot projects in which the Commission evaluated these benefits, such as the System for Exchange of Excise Data. Finally, Mr Drezet discussed the “Mission Requêtes et Valorisations”, a data-mining tool created by the Directorate General of Public Finances in France to identify fraudulent individuals and companies. He noted that initial results have been very positive but improvements regarding data quality and the fragmentation of involved services were needed.

The subsequent discussion with Members of the FISC Subcommittee addressed the potential contribution by the European Commission to the digitalization of tax administration, notably in the context of the Next Generation EU recovery plan. Further topics that were addressed included the contribution of technology in fighting fraud; risks associated with technologies such as Artificial Intelligence and blockchain, notably regarding data security and privacy; or the need for sufficient tax officials and adequate training.



Peter Green

Head of the Forum on Tax Administration Secretariat - Centre for Tax Policy and Administration, OECD



Stefka Dzhumalieva

Head of Unit B4 “Taxation systems & digital governance”, DG TAXUD, European Commission



Momchil Sabev

Head of Unit C4 “Tax administration and fight against tax fraud”, DG TAXUD, European Commission



Vincent Drezet

Tax expert, former Secretary General of the “Syndicat National Solidaires Finances Publiques”

Further information:

- [Public Hearing on “How can technology help in reducing fraud and making tax compliance simpler”](#)

Consideration of draft report on "Reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group)"



On 25 May 2021, the draft own-initiative report on "Reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group)" was presented in the FISC Subcommittee.

The rapporteur Ms Aurore Lalucq (S&D) underlined in her presentation of the draft that the Code of Conduct was successful in fighting harmful tax practices, notably regarding preferential tax regimes. However, the draft would call for an update of the Code to address new challenges, notably by defining a minimum level of economic substance. Finally, Ms Lalucq pointed out the need to reform the current inter-governmental governance structure, which was seen as opaque and provided limited means of assessment to the Parliament.



Aurore Lalucq
Rapporteur (S&D)

The subsequent discussion showed that there was broad support for a reform of the Code of Conduct with a view to new harmful tax practices and the ongoing discussions at G20/OECD on reforming international tax rules were welcomed in the subsequent discussion. Some Members however underlined that tax competition could have positive effects and should not be prevented.

Further information:

- [Subject file on "Harmful Tax Practices in Business Taxation"](#)

Consideration of amendments to the draft report on "Creating an economically, socially and environmentally sustainable European tax system in the post-COVID economy"



On 25 May 2021, Members of the FISC Subcommittee met to consider the amendments to the draft own-initiative report on "Creating an economically, socially and environmentally sustainable European tax system in the post-COVID economy".

The rapporteur Mr Claude Gruffat (Greens/EFA) welcomed the cooperation with the shadow rapporteurs and recalled the objective of the report. The current tax system would have to be adapted to current challenges such as climate change, growing inequalities or technological and demographic changes. He emphasized the need to address the shift of tax burden from wealth and capital to income and consumption as well as reforming environmental taxation.



Claude Gruffat
Rapporteur (Greens/EFA)

There was some agreement on the challenges that had to be addressed by a reform of the tax systems. Nevertheless, while some Members emphasized the need to address social inequalities and aggressive tax planning by big companies, others warned that the aim should not be to create new taxes and emphasized the need to promote competitiveness, investment and job creation in support of the recovery. The report was voted on 3 June 2021 in ECON and was rejected by 27 votes in favour, 27 against and 4 abstentions.

Further information:

- [Subject file on "Sustainable Tax System"](#)

Gender Mainstreaming Action Plan



In line with the European Parliament's commitment to incorporate a gender perspective in all its activities, the coordinators of the FISC Subcommittee adopted a Gender Mainstreaming Action Plan on 25 May 2021.

The plan was drawn up by [Ms Monica Semedo \(Renew\)](#) and [Ms Kira Peter-Hansen \(Greens/EFA\)](#), who both represent the FISC Subcommittee in the Gender Mainstreaming Network of the Parliament. It includes commitments regarding the organisation of the Subcommittee's work, such as the respect of gender balance and gender neutral language, as well as regarding the area of policies, such as integrating a gender perspective in reports and opinions or contributing to

knowledge and research about gender issues in the area of taxation. The implementation of the plan will be monitored and evaluated in an annual report.

Further information:

- [FISC Action Plan on Gender Mainstreaming](#)
- [Gender Mainstreaming on FEMM Website](#)

Consideration of amendments to the draft report on "Reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group)"



On 16 June 2021, the FISC subcommittee met to consider the amendments to the draft own-initiative report on "Reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group)".

The rapporteur Ms Aurore Lalucq (S&D) welcomed the constructive work with the shadow rapporteurs and amendments aimed at improving the Code of Conduct. She defended one amendment which proposes a revised version of the Code of Conduct and would hence allow the Parliament to have a constructive voice in the reform process.



Aurore Lalucq
Rapporteur (S&D)

In the subsequent discussions, shadow rapporteurs and other FISC Members supported the need to effectively fight harmful tax practices. However, it was discussed whether the Code of Conduct should become a legally binding instrument and whether tax competition also had positive effects which should be preserved. The report was voted on 13 July 2021 in ECON and was adopted by 44 votes in favour, 6 against and 8 abstentions.

Further information:

- [Subject file on "Harmful Tax Practices in Business Taxation"](#)

Exchange of views with Members of the Finance Committee of the French national parliament, the Assemblée nationale



On 16 June 2021, the FISC Subcommittee held an exchange of views with members of the Finance Committee of the French national Parliament, the Assemblée nationale, on the reform of the international tax system and the EU's digital levy.

The exchange was co-chaired by Mr Paul Tang, Chair of the FISC subcommittee, and Mr Éric Woerth, Chair of the French Finance Committee. In a first session, the Members had an exchange on the currently negotiated reform of the international tax system based on the two pillars proposed by the OECD. They then discussed their expectations regarding the planned EU digital levy during a second session.

Members generally welcomed the progress of the negotiations of the international tax rules in view of the recent agreement by G7 ministers on the two pillars and notably a global minimum effective tax rate of 15%. The level of this minimum tax (21 or 15%) was also discussed. Some concerns were raised that the proposed reform would not sufficiently tackle tax avoidance practices by digital giants, notably in view of the envisaged scope of the reallocation of taxing rights under Pillar One and of the proposed minimum tax rate under Pillar Two. Members of the Assemblée pointed out that the French digital services tax would be faded out once the agreement on an international solution would be reached and implemented.

As regards the Digital Levy, Members from both chambers had an exchange over the introduction of new own resources, which would aim not only at financing the recovery but also at creating an EU budget that is less dependent on national contributions. Moreover, the unanimity requirement for decisions on tax matters at EU level and the perspectives for reaching an agreement on the digital levy were discussed.

Further information:

- [FISC meets with Finance Committee of the Assemblée nationale](#)

Public hearing on "The development of new tax practices: What new schemes should the EU pay attention to?"



On 22 June 2021, the FISC Subcommittee held a public hearing on "The development of new tax practices: What new schemes should the EU pay attention to?" to look at the evolving situation regarding tax avoidance practices and examine possible ways to tackle such schemes and practices.

The hearing consisted of two panels. The first panel provided an institutional perspective with contributions from the OECD and the Commission. Mr Paul Hondius (OECD) presented the new challenges to the exchange of information which was established with the common reporting standard (CRS) developed by the OECD, highlighting challenges with regards to digital financial products. He also highlighted that the OECD will draw its attention on future developments (notably the introduction of harmful tax measures) that could put at risk the

integrity of personal income tax in a post-Covid world. Ms Ioanna Mitroyanni (European Commission) offered an overview of the implementation of the Anti-Tax Avoidance Directive (ATAD) of 2016 and the follow-up by the Commission. Mr Henrik Paulander (European Commission) laid out the implementation of the fifth revision of the Directive on Administrative Cooperation in the Area of Taxation (DAC6), which created an obligation for intermediaries to report potentially harmful tax arrangements. FISC Members subsequently raised questions concerning, among other issues, the OECD's work on crypto-assets, the possibility of introducing a personal income tax element in the Code of Conduct for Business Taxation, the ongoing work on a global minimum tax and improving the implementation of the exchange of information in the tax area.

In the second panel, two experts presented their views from the perspective of practitioners and academia. Ms Isabel Verlinden (PwC) focussed on financial transparency for tax purposes and highlighted the benefits of targeted and harmonised implementation of the most recent provisions of DAC. Prof. Rita de la Feria (University of Leeds) looked at the impact of digitalisation on personal income taxes and pointed out how the increasing mobility of labour in a post-Covid world could create new forms of tax competition in the area of personal income taxation. The discussion with FISC Members then addressed questions on improving the implementation of DAC, the classification of some EU Member States as 'tax havens', the impact of new tax practices on Member States' tax mixes, possible solutions to personal income tax competition and other issues.

Further information:

- [Public hearing on "The development of new tax practices: what new schemes should the EU pay attention to?"](#)

Open coordinators exchange of views with Itai Grinberg (US Treasury) and Gabriel Zucman (EU Tax Observatory)

On 22 June, Members of FISC met with Mr Itai Grinberg, Deputy Assistant Secretary for Multilateral Tax Office of Tax Policy, US Department of the Treasury, to have an *in camera* exchange of views on the progress of the negotiations of the international tax reform proposed by the OECD.



This meeting was followed by an *in camera* exchange of view with Mr Gabriel Zucman, Chair of the EU Tax Observatory, on the state of play and the work programme of the newly created research body. The Observatory was created at the initiative of the European Parliament as an independent research laboratory, funded by the European Union, in order to conduct research on taxation and promote the exchange between the scientific community, civil society and policy makers.

Further information:

- [EU Tax Observatory](#)

Workshop on harmful tax practices within the EU and sectors with large tax gaps with a case study on professional football



On 29 June 2021, the Policy Department for Economic and Scientific Issues organized a workshop to present two studies which had been requested by the FISC Subcommittee: a study on harmful tax practices within the EU and a study on sectors with large tax gaps with a case study on professional football.

The study on "Harmful Tax Practices within the EU: Definition, Identification and Recommendations" was presented by Prof. Dr. Elly Van de Velde (Hasselt University) and Dr. Francesco Cannas (Hasselt University). The authors laid out a definition of harmful tax practices and focussed more specifically on models aimed at reducing corporate tax rates, before outlining the recommendations by the study on countering these practices. Following the presentation, FISC Members raised questions on the impact of COVID on harmful tax

practices, the possibility to apply Article 116 for legislative proposals in the area of taxation, harmful tax practices in the area of individual taxation and other issues.

The study on "Sectors with large Tax Gaps: Case Study Professional Football" was presented by Prof. Dr. Robby Houben (University of Antwerp), Prof. Dr. Anne Van de Vijver (University of Antwerp), Mr Gertjan Verachtert (University of Antwerp) and Prof. Dr. Niels Appermont (University of Hasselt).

They examined the different tax and social security regimes of football players and clubs in selected Member States (BE, DE, ES, FR, IT, NL and PT). An intervention based on the EU legal framework would be difficult due to national competences. The experts nevertheless made some suggestions, such as putting the issue higher on the research agenda and possibly developing some soft law recommendations. Questions were subsequently raised by FISC Members on whether national sovereignty could be an obstacle to an EU approach, the possibility of including personal income tax in the Code of Conduct on business taxation, possibilities to improve transparency on money flows, and other aspects.

Further information:

- [Workshop on "Harmful tax practices within the EU & Sectors with large tax gaps"](#)

Public hearing on "Green Taxation"



On 12 July 2021, the FISC Subcommittee organised a public hearing on Green Taxation to look, in particular, at the challenges of the proposal to review the Energy Taxation Directive in the framework of the European Green Deal. The hearing took place as the Commission was about to present with the "fit for 55 package" a set of legislative proposals to implement the European Green Deal.

A first panel featuring Mr. Kurt Van Dender (OECD) and Ms. Tatiana Falcão (University of Münster) focussed on the review of the Energy Taxation Directive and how this can contribute to the goals of the European Green Deal. Mr Van Dender defended the view that price-based instruments, such as an emission trading system or taxes, are a useful tool in achieving climate targets but should be combined with complementary measures to

compensate negative effects. Focussing more specifically on the upcoming EU legislative proposals, Ms Falcão then suggested introducing a carbon tax factor in the revision of the EU Energy Taxation Directive or transforming the latter into a carbon tax. This, in her view, would be more effective in incentivising the reduction of CO2 emissions and could contribute to simplifying the proposed Carbon Border Adjustment Mechanism (CBAM). In the subsequent discussion, FISC Members raised questions regarding the potential administrative burden of green tax measures, the progressivity of the tax system, the impact of green taxation on competitiveness, a worldwide floor on carbon pricing, and measures in other countries in the OECD and worldwide.

The second panel featuring Ms. Alice Pirlot (University of Oxford) and Mr. Carlo Stagnaro (Istituto Bruno Leoni) discussed the potential of green taxation in the overall tax mix as a means of both funding and supporting Europe's recovery after the pandemic. Ms. Pirlot emphasised in her presentation that generating revenues should not be the main objective of the CBAM and that revenues raised should rather be used to finance climate projects. She noted however, that taxes should be employed to ensure a sustainable recovery, as for instance by aligning the design of taxes on energy products and removing tax measures with negative effects on the environment. In his presentation, Mr. Stagnaro underlined three points concerning green taxation policies: distortions in current tax systems, the need to coordinate tax policies and subsidisation policies, and the potential use of revenues, taking into account the disproportionate impact such taxation could have on less affluent people. Following the presentations, FISC Members raised questions on a variety of topics including the impact of green taxation on the competitiveness of EU businesses, the introduction of a kerosene tax, the architecture of the CBAM and the shift from labour taxes to green taxes.



Tatiana Falcão
Fellow, University of Münster



Kurt Van Dender
Head of Tax and Environment,
OECD



Carlo Stagnaro
Director of the Digital Economy
Observatory at Istituto Bruno
Leoni



Alice Pirlot
Research fellow, University of
Oxford

Further information:

- [Public hearing on "Green Taxation"](#)

Upcoming hearings and exchanges of views

- Public hearing on "**Tax Transparency**" - Thursday, 9 September 2021

- Exchange of views with **Commissioner Paolo Gentiloni**, Member of the European Commission responsible for Economy - Monday, 11 October 2021

- Public hearing on "**The impact of national tax reform on the EU single market**" - Monday, 11 October 2021

- Public hearing on "**A European Withholding Tax framework**", Thursday, 14 October 2021

- Public hearing on "**The Luxletters revelations**", date to be confirmed

- Exchange of views with **the Finance Committee of the Slovenian Parliament** - Wednesday, 27 October 2021

Bureau and Coordinators

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Coordinators:	<ul style="list-style-type: none"> ■ Lidia Pereira (EPP Coordinator) ■ Christophe Hansen (EPP Deputy Coordinator) ■ Aurore Lalucq (S&D Coordinator) ■ Gilles Boyer (Renew Coordinator) ■ Sven Giegold (Greens/EFA Coordinator) ■ Hélène Laporte (ID Coordinator) ■ Patryk Jaki (ECR Coordinator) ■ José Gusmão (The Left Coordinator)

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