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REPORT

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)
(2020/2254(INL))

Committee on Economic and Monetary Affairs

Rapporteur: Luděk Niedermayer

(Initiative – Rule 47 of the Rules of Procedure)

CONTENTS

	Page
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	3
ANNEX TO THE MOTION FOR A RESOLUTION: RECOMMENDATIONS AS TO THE CONTENT OF THE PROPOSAL REQUESTED....	15
INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE	19
FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE.....	20

MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

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) (2020/2254(INL))

The European Parliament,

- having regard to Article 225 of the Treaty on the Functioning of the European Union,
- having regard to the Commission Communication of 15 July 2020 on ‘An action plan for fair and simple taxation supporting the recovery strategy’ (COM(2020)0312),
- having regard to the Commission Communication of 15 July 2020 on ‘Tax Good Governance in the EU and beyond’ (COM(2020)0313),
- having regard to the Commission Communication of 7 April 2016 entitled ‘An action plan on VAT - Towards a single EU VAT area - Time to decide’ (COM(2016)0148),
- having regard to the Commission Communication of 3 March 2021 entitled ‘One year since the outbreak of COVID-19: fiscal policy response’ (COM(2021)0105),
- having regard to the Commission proposals pending for adoption, in particular on the Common Corporate Tax Base (CCTB), the Common Consolidated Corporate Tax Base (CCCTB)¹, and the digital taxation package², as well as the European Parliament's positions on these proposals,
- 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 Commission communication of 19 February 2020 entitled ‘Shaping Europe's digital future’ (COM(2020)0067),
- having regard to the G20/OECD Inclusive Framework (IF) on the Base Erosion and Profit Shifting (BEPS) Action Plan of October 2015,
- having regard to the G20/OECD IF interim report entitled ‘Tax Challenges Arising from Digitalisation’ adopted in 2018, and its Programme of Work to Develop a

¹ Proposal of 25 October 2016 for a Council Directive on a Common Corporate Tax Base (CCTB), COM(2016)0685 and of 25 October 2016 on a Common Consolidated Corporate Tax Base (CCCTB), COM(2016)0683.

² The package consists of the Commission communication of 21 March 2018 entitled ‘Time to establish a modern, fair and efficient taxation standard for the digital economy’ (COM(2018)0146), the proposal of 21 March 2018 for a Council directive laying down rules relating to the corporate taxation of a significant digital presence (COM(2018)0147), the proposal of 21 March 2018 for a Council directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services (COM(2018)0148) and the Commission recommendation of 21 March 2018 relating to the corporate taxation of a significant digital presence (C(2018)1650).

Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy adopted in May 2019,

- having regard to the Reports on the Pillar One and Pillar Two Blueprints adopted by the G20/OECD Inclusive Framework on 14 October 2020, as well as the results of an economic analysis and impact assessment carried out by the OECD,
- having regard to the Commission Communication of 18 May 2021 entitled ‘Business Taxation for the 21st Century’ (COM(2021)0251),
- having regard to the Annual report on Taxation 2021 - Review of taxation policies in the EU Member States, DG TAXUD, 18 May 2021,
- having regard to the International Monetary Fund report entitled ‘Taxing Multinationals in Europe’, European and Fiscal Affairs Departments, 2021, No. 21/12,
- having regard to the outcomes of the various G7, G8 and G20 summits held on international tax issues,
- having regard to its resolution of 16 December 2015 with recommendations to the Commission on bringing transparency, coordination and convergence to Corporate Tax policies in the Union³,
- having regard to its resolutions related to TAXE Special Committees, of 25 November 2015 on tax rulings and other measures similar in nature or effect (TAX 1)⁴, of 6 July 2016 on tax rulings and other measures similar in nature or effect (TAX 2)⁵, and of 26 March 2019 on financial crimes, tax evasion and tax avoidance (TAX 3)⁶,
- having regard to its resolution and recommendations of 13 December 2017 following the inquiry into money laundering, tax avoidance and tax evasion (PANA)⁷,
- having regard to its report on the implementation of the EU requirements for exchange of tax information: progress, lessons learnt and obstacles to overcome (2020/2046(INI)),
- having regard to its report on reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group) (2020/2258(INI)),
- having regard to Rules 47 and 54 of its Rules of Procedure,
- having regard to the report of the Committee on Economic and Monetary Affairs (A9-0024/2022),

A. whereas the unprecedented impact and magnitude of the COVID-19 crisis on the economy has led to a decrease in tax revenues and an increase in debt and fiscal

³ OJ C 399, 24.11.2017, p. 74.

⁴ OJ C 366, 27.10.2017, p. 51.

⁵ OJ C 101, 16.3.2018, p. 79.

⁶ OJ C 108, 26.3.2021, p. 8.

⁷ OJ C 369, 11.10.2018, p. 132.

expenditures to protect society and the economy, and is leading to a sharp increase in government debt; whereas tax avoidance, tax fraud and tax evasion undermine government revenues, as well as the sustainability of public finances, taxation systems and tax fairness; whereas it is paramount to fight tax avoidance and evasion while keeping taxes at levels that support the sustainable growth of the economy as well as the economic and social recovery of the Union and longer term challenges, such as an ageing population, ecologic and climate transition and digitisation of the economy, while not undermining adequate tax revenue;

- B. whereas the tax incidence has shifted from wealth to income, from capital to labour income and consumption, from multinational enterprises (MNEs) to small and medium-sized enterprises (SMEs), and from the financial sector to the real economy with a shift in the tax burden from more mobile to less mobile taxpayers;
- C. whereas a swift recovery requires a strong economic and fiscal policy response through reforms and investments and through, inter alia: (i) ensuring an effective level playing field for taxpayers and businesses, reducing or eliminating tax benefits that unfairly create disadvantages to SMEs, including less red tape in order to promote competition, and domestic trade and trade within the single market, supported by a simple, fairer, digital and more predictable tax environment; (ii) securing tax revenues for Member States to finance the recovery, the transition to a carbon-neutral economy, a reduction in the debt-to-GDP ratio and boosting investments, and (iii) ensuring fair taxation of businesses and citizens, enhancing transparency and trust in society and fair competition, based on agreed standards and coordinated and digitalised reporting systems;
- D. whereas the Commission's Action Plan for fair and simple taxation supporting the recovery strategy (the 'Action Plan') is part of a wider Union tax strategy in the area of value added tax (VAT), business and individual taxation; whereas the Action Plan sets out a dual approach combining actions for combating tax fraud and tax evasion and simplifying steps to remove unnecessary obstacles and administrative burdens for taxpayers, especially citizens and SMEs;
- E. whereas SMEs represent 99% of businesses in the Union and create two out of three private-sector jobs, but the cost of compliance with tax rules accounts for 30% of their tax burden, while for large companies it only accounts for 2%;
- F. whereas there is a need to build more mutual trust and cooperation between the tax authorities of the Member States and share best practices across the Member States regarding national reporting systems;
- G. whereas the European Court of Auditors' 2021 Special Report on Exchanging Tax Information in the EU⁸ found the information exchanged between Member States to be outdated, inaccurate and incomplete;
- H. whereas current international corporate tax rules are no longer suitable in the context of digitalisation and globalisation of the economy; whereas developments in digitalisation

⁸ Special Report No 03/2021 of the European Court of Auditors of 26 January 2021 'Exchanging tax information in the EU: solid foundation, cracks in the implementation'.

and a stronger reliance on intangible assets and their increase in value chains, create prospects and challenges in terms of traceability of economic operations and taxable events, including enabling of tax avoidance practices, especially when these operations are cross-border or take place outside the Union;

- I. whereas corporate taxation should be guided by the principle of taxing profits where they are generated, a more harmonised and coordinated approach to the corporate taxation system across the Union could further enable the tackling of unfair competition caused by harmful tax practices that distort the functioning of the single market and often lead to misallocation of resources;
- J. whereas better cooperation between Union and national tax authorities and increased transparency in the area of corporate taxation can increase tax collection and compliance and is necessary to strengthen fair competitiveness in the single market, which will make the work of tax authorities more efficient; whereas the use of technology and digitalisation focused on a more efficient use of the available data can support efficiency and transparency of tax authorities and reduce the costs of compliance and increase the trust of the public; whereas progress made with digitalisation for both taxpayers and tax authorities opens alternatives on how to systematically address certain tax fraud and can also facilitate the taxation of mobile tax bases;

General considerations on the Commission's Action plan for fair and simple taxation supporting the recovery strategy

1. Welcomes the Action Plan and supports its thorough implementation; observes that the majority of the 25 actions are related to VAT, which is appropriate due to the high level of revenue losses in the area of VAT and the need to support businesses, especially SMEs; considers, however, that an impact assessment should be carried out to complement concrete legislative proposals to better apprehend the potential effects on taxpayers and businesses; welcomes the recent agreement on VAT rates in the Council, however, remains concerned that the definitive VAT regime has not gained support in the Council; calls on the Commission to check the Action Plan in view of international developments at the Organisation for Economic Co-operation and Development (OECD)/G20 level and in light of the COVID-19 pandemic;
2. Believes that the Commission's decision to carry out initiatives aimed at enhancing cooperation among tax authorities and increased harmonisation of procedural rules across the single market is of highest importance; welcomes the Commission's initiative the EU Cooperative compliance programme, as a method of encouraging closer cooperation between tax authorities and businesses, and recommends clear eligibility and functioning rules, as well as a potential expansion of the programme to include VAT-related issues; welcomes and looks forward to the Commission's legislative initiative for introducing a common, standardised, Union-wide system for withholding tax relief at source, accompanied by an exchange of information and cooperation mechanism among tax authorities; calls on the Commission in this respect, and in response to the recent Cum-Ex revelations and the G20/OECD global tax deal, to assess the potential benefits of a minimum effective withholding tax rate; calls on the Commission, in this respect, to relaunch the discussion on the blocked revision of the

Council Directive 2003/49/EC⁹ (Interest and Royalties Directive);

3. Welcomes the Commission's proposal to modernise, simplify and harmonise VAT requirements, using transaction-based real-time reporting and e-invoicing; notes that such reporting needs to be taxpayer-friendly while allowing tax administrations to have an overview of the various transactions in real-time, facilitating the prevention and detection of fraud and risky economic operators; considers that reporting requirements and tax forms should converge across the Member States; believes that the use of the data-mining tool Transaction Network Analysis (TNA) represents one of the available options to reduce tax fraud and promotes its further development and sharing of best practices among Member States;
4. Recalls that any tax measures, temporary or not, should avoid distorting investment decisions and should act as a tool in supporting the fulfilment of Union goals as outlined in Article 3(3) of the Treaty on European Union, including competitiveness of European businesses; stresses that the reporting requirements should not lead to a disproportionate increase in administrative costs for economic actors, notably for SMEs; notes that in order to effectively address lost tax revenues, better quality and possible higher quantities of data may be needed; insists on the principle that any data gathered by the tax authorities from taxpayers, in line with taxpayers' rights, must be provided to the Member States only once, protected by the utmost security and respect for data protection laws; notes the potential of data and digital tools to reduce red tape and simplify various taxpayer obligations, in particular in the area of VAT returns and recapitulative statements, and notes that artificial intelligence (AI) and various software should be used to maximise the effectiveness of the use of data; expresses the need to continue efforts to increase administrative cooperation between Member States in order to reduce fraud and tax evasion; believes it is necessary not only to increase the quantity, but also to improve the quality, of the data exchanged, with a view to having a more efficient system;
5. Underlines that the diversity of the Member States' tax regulations constitutes a cumbersome challenge, particularly for SMEs and start-ups operating or willing to start trading in the single market, as they have to cope with up to 27 different tax systems; believes that due care should be devoted to higher compliance costs sustained by SMEs; stresses that SMEs should not be further penalised by the financial burden associated with operating under different national systems and the benefits of the single market should be easily accessible to them;
6. Highlights that a sustainable recovery strategy should consider the sustainability of the ongoing low interest rates and the increase in inflation across the Union; considers that the tax burden should not move from capital gains to labour, as it does now; considers, in this regard, that more attention should be paid to the large number of mobile workers;
7. Reiterates the importance of Next Generation EU funds for the economic recovery of the Union and highlights the opportunity to use the Recovery and Resilience Facility to pursue fiscal reforms and investments leading to a fairer, more sustainable and better digitalised fiscal system; recalls that the Fiscalis programme for the period 2021-2027,

⁹ Council Directive 2003/49/EC of 3 June 2003 on a common system of taxation applicable to interest and royalty payments made between associated companies of different Member States (OJ L 157, 26.6.2013, p. 49).

with a budget of EUR 269 million, aims to combat tax fraud and supports revenue collection for the Union and Member States' budgets by helping national tax authorities to cooperate better to combat tax fraud, tax evasion and aggressive tax planning;

8. Takes note that the estimated revenue lost to international tax evasion by individuals was EUR 46 billion in 2016; observes the current distortions of the single market due to harmful tax practices that constitute harmful tax competition; notes that, as well as the Action Plan, a Communication from the Commission on Tax Good Governance in the EU and beyond was published focusing on the need to reform the EU Code of Conduct on Business Taxation and the criteria enshrined in the EU list of non-cooperative jurisdictions; deplores the standstill on both matters in the Council; takes note of the outcome of the ECOFIN Meeting on 8 December 2021; regrets, in this regard, that Ministers of Finance of the Member States could not agree on the reform of the 1997 EU Code of Conduct on Business Taxation and recalls the European Parliament's resolution of 7 October 2021 on reforming the EU policy on harmful tax practices (including the reform of the Code of Conduct Group); reiterates its support for the Commission's intention to widen the scope of the Code of Conduct Group to cover further types of regime and general aspects of the national corporate tax systems and encourages the Commission to further develop coordination mechanisms such as peer review procedures within the Code of Conduct Group; recommends the inclusion of preferential personal income tax regimes to address special citizenship schemes or measures that attract highly mobile wealthy individuals and digital nomads which potentially lead to significant distortions of the single market; invites the Commission, in the framework of the upcoming Tax Symposium in 2022, to analyse distortions in the single market, and suggest proportional remedies;

Drivers for changes

9. Is of the opinion that better estimates of overall tax losses in the Union and a detailed analysis of their systemic causes are essential for efficient proposals on ways to effectively reduce tax losses; highlights that better availability of data, provided by companies and tax administrations, can significantly contribute to better estimates; highlights the importance of the OECD Corporate Tax Statistics database and the contribution of Member States to it; deplores further that the Council has not shared with European Parliament the necessary information in the framework of the OECD Development Assistance Committee (DAC) implementation report; stresses that VAT fraud like 'carousel fraud' has a direct impact on VAT-based own resources and therefore the composition of Union revenue¹⁰; calls on the Commission to launch a coordinated effort by the Member States to establish a joint system of collecting statistics on VAT 'carousel fraud'; points out that such a system could build upon practices already used in some Member States; takes note of the creation of the EU Tax Observatory and calls on the Commission to provide an independent assessment of the work done so far with regard to how to move forward with this preparatory action, which was initiated by European Parliament building on a pilot project of the Union annual budget;
10. Recalls that tax transparency, fairness and certainty based on clear respective rights and

¹⁰ BUDG committee briefing - EU Own Resources (2020) in [https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/647459/IPOL_BRI\(2020\)647459_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2020/647459/IPOL_BRI(2020)647459_EN.pdf)

duties is the main principle on which to build mutual trust between taxpayers and tax administrations; supports, in that context, the formalisation of the Charter on taxpayers' rights, more consistency on tax residence rules for individuals and an increase in exchange of information; believes that further development and the identification of gaps in effective European dispute resolution mechanism need to be considered; considers that the outcome of disputes should be made publicly available in the form of a summary that would publish, among other essential, but non commercially sensitive, information, the resulting effective tax rate paid by the taxpayer;

11. Observes that the new working arrangements, such as teleworking, bring both challenges and opportunities for workers and employers; underlines the urgent need to better define the notion of tax residency for individuals in view of the new working arrangements that have developed rapidly due to the COVID-19 pandemic; stresses that Member States still use various criteria to determine tax residence status, creating a risk of double taxation or double non-taxation; recalls in this regard the Action Plan announcing a Commission legislative proposal in 2022/2023 clarifying where taxpayers are to be considered residents for tax purposes when they are active across borders in the Union; looks forward to this Commission's proposal which should aim at ensuring a more consistent determination of tax residence within the single market;
12. Looks forward to the Commission's DAC8 proposal to extend the automatic exchange of information to include crypto-assets; recalls, in this regard, the recommendations adopted by European Parliament and referred to in the DAC implementation report; considers that tax certainty would be reinforced if Member States had a common understanding of tax policies, incentives and practices that do not distort the single market; calls on the Commission to present an analysis on guidelines or other measures, which could help achieve that objective;
13. Welcomes the actions undertaken by the Commission in the area of prevention and resolution of double VAT taxation disputes;
14. Notes that the Union decision-making process is not promoting change, as tax policy is a national prerogative and subject to unanimity; recalls that Article 116 of Treaty on the Functioning of the European Union (TFEU) states that distortion of competition in the internal market by Member States needs to be eliminated; regrets that the current situation sometimes leads to an uneven or inconsistent application of tax regulations and to a delay in the harmonisation of tax practices or standards across the Union; calls on the Commission and the Member States to ensure more harmonised and consistent tax rules and their implementation, to protect the functioning of the single market and to assure the principle of taxing where profit is generated; deplores the fact that proposals such as CCCTB, revision of the Interest and Royalties Directive and the reform of the Code of Conduct on Business Taxation have remained blocked in the Council;
15. Recalls in this respect the Communication from the Commission Towards a more efficient and democratic decision-making in EU tax policy; notes that Article 116 TFEU, although suggested in the Action Plan, has not yet been used in tax matters and would allow decision-making in the Council to be more effective; calls on the Commission, the European Parliament and the Council, in the context of the Conference on the Future of Europe, to further explore the decision-making process used when

deciding taxation policies, in the context of the protection of the Union's financial interests;

16. Stresses the importance of a swift exchange of information between Member States to combat tax fraud; welcomes the proposal for a Eurofisc 2.0 in the Action Plan to further develop Eurofisc; strongly supports the Commission's suggestion to expand it to direct taxation; supports Eurofisc in becoming a Union hub for tax information serving not only VAT purposes; recalls that Eurofisc, as the Union's network of anti-fraud experts, must, in order to be effective, be strengthened and provided with sufficient resources in order to carry out joint risk analyses, coordinate investigations and cooperate with the European Anti-Fraud Office (OLAF), Europol and the European Public Prosecutor's Office (EPPO), in particular with a view to investigating VAT fraud;
17. Looks forward to the revision of the Council Directive 2011/64/EU¹¹, as announced in the Commission's Package for fair and simple taxation; notes the large price gaps between Member States incentivising cross-border shopping; notes further the emergence of new products, such as e-cigarettes, heated tobacco products and new tobacco products; looks forward to an ambitious revision in reference to rates and aiming to better contribute to health objectives;

Challenges in the Union VAT tax policy

18. Observes that the current Union VAT system remains too complex, especially for SMEs, and vulnerable to fraud, while generating high compliance costs for economic operators¹²; notes that the different measures to tackle tax fraud are adopted in the Member States; recalls that the modernisation of the VAT system and the shift towards a more coherent VAT system across the Union should be addressed urgently¹³;
19. Stresses that tackling the VAT gap and tax fraud should be an urgent priority for the Union and the Member States in the post-COVID-19 economy; expresses its concern about the level of the VAT gap estimated at around EUR 140 billion in 2018, whereof EUR 50 billion is related to cross-border tax evasion and fraud; notes with concern that according to the Commission's assessment, the VAT gap could rise to more than EUR 160 billion due to the COVID-19 crisis; notes that the complex composition of the VAT gap requires multiple actions, tailored to the specific parts of the drivers behind the gap;
20. Underlines that the current VAT system remains fragmented triggering a significant administrative burden on firms, in particular those with cross-border operations and SMEs, which reduces benefits of existence in the single market and also imposes costs for Member States through possible revenue losses; notes that the Commission, with the new proposals, should take into account the specific needs of SMEs and create a level playing field including through, inter alia, the introduction requirements based on

¹¹ Council Directive 2011/64/EU of 21 June 2011 on the structure and rates of excise duty applied to manufactured tobacco (OJ L 176, 5.7.2011, p. 24).

¹² As per the EPRS' EAVA (September 2021), the VAT gap, including cross-border VAT evasion and fraud, could be estimated at around EUR 120 billion in 2020, p. 42.

¹³ As per the EPRS' EAVA (September 2021), the estimated added value of the extended cooperation between the Member States plus the full implementation of the OSS could bring a reduction of estimated EUR 29 billion of the VAT gap, and a reduction of estimated EUR 10 billion in compliance costs for businesses, p. 39.

threshold when relevant;

21. Welcomes the setup of the Union One Stop Shop (OSS) aiming to simplify of tax compliance, specifically by reducing uncertainty in the single market and by reducing costs for cross-border operations that allows cross-border economic operators to fulfil VAT obligations on e-commerce sales within the Union more easily; invites the Commission to assess how to broaden the scope of the OSS to encompass a wider range of services, especially with regard to all B2C transactions of goods and the transfer of own-stock, allowing companies to only register for VAT in one country; welcomes the proposal of a single VAT registration;
22. Notes the Commission's initiative to review the current VAT exemption for financial services and insurance, in particular following the withdrawal of the United Kingdom from the Union and the revision of the national rules in this area; stresses that such review should ensure that VAT rules on financial services are fit for current digital economy, including Fintech, and that an international level playing field is maintained for Union companies;
23. Notes that the Commission described in the Action Plan a 'well-designed tax system playing an important role in supporting the green transition' that might help to achieve the objectives of the European Green Deal; looks forward in this context to the proposal for reviewing VAT rates in the area of passenger transport exemptions as announced in the Commission's Package for fair and simple taxation; emphasises the need to balance the tax mix in order to gradually minimise the impact of labour tax on workers and work on a fairer tax system;
24. Notes with concern that some Member States do not generally exempt in-kind donations from VAT, leading businesses to destroy consumer goods, notably returns, even though such an exemption is possible under Council Directive 2006/112/EC¹⁴; calls on the Commission to issue guidance to Member States, clarifying that VAT exemptions for in-kind donations are compatible with the existing Union law on VAT until the proposal for a Council Directive (COM(2018) 20 final, in particular Article 98(2) thereof) is adopted by Member States;
25. Calls on the Commission to analyse and investigate the possibilities of using technology, for example AI and different software, by applying it to real or near-time VAT reporting in B2B transactions, while taking into consideration data protection and confidentiality; notes that the best result will be achieved if the data analysis tools are introduced and implemented within the single market or the standards for such reporting are set across the Union simultaneously;
26. Welcomes the start of operations by the EPPO in June 2021;
27. Welcomes the TNA and supports the establishment of enhanced cooperation between Eurofisc members in order to rapidly detect carousel-type fraud; calls on the Commission to take steps towards a more efficient use of the TNA tool and focus on the quality of data provided, as it represents a key tool in tackling VAT fraud; calls on the

¹⁴ Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p. 1).

Commission in this regard to review how the TNA tool is used by the Member States and assist them in introducing guidance for best practices; considers that in order to reduce compliance costs for taxpayers, data provided should be generated by an automated digitalised system of reporting data from the taxpayer to tax authorities¹⁵ (for example by the e-invoicing system referred to in the Annex hereto);

Ongoing reforms of the international and Union tax system

28. Notes the reduction of the estimated gap¹⁶ due to corporate tax avoidance at around EUR 35 billion per year from the previous Commission estimations of EUR 50-70 billion before anti-BEPS measures were introduced and the correlation between an improvement and the legislative efforts on tax avoidance carried out by the Commission; notes the implementation of the 2019 Anti-Tax Avoidance Directive and calls for an evaluation report by the Commission on its impact and implementation; stresses that situations where some firms are still able to reduce their tax bill via tax avoidance or aggressive tax planning is undermining fair competition in the single market and often harming the competitiveness of SMEs; recalls that the tax gap due to corporate tax avoidance can amount to up to 190 billion¹⁷ when special tax arrangements, inefficiencies in collection and other practices are taken into account; stresses further that unilateral special regimes such as lower corporate income tax rates for some taxpayers might constitute a risk for stable tax bases across the EU;
29. Highlights that the current global tax environment is outdated and can only be fully addressed on a global level; welcomes the historic two-pillar agreement reached at the OECD/G20 Inclusive Framework on the allocation of taxing rights and the application of a minimum effective tax rate of 15% on the global profits of MNEs; considers it a unique opportunity to make international tax architecture more consistent with the development of the economy by further addressing the distortions of fair competition in the market, which was accentuated during the COVID-19 crisis and highlighted problems related to the taxing of large MNEs; notes the agreement requires all participants ‘to remove digital services taxes and other relevant similar measures (..) and to commit to not introducing such measures in the future’; notes the need for effective implementation in the Union and beyond of the two-pillar solution with the aim of ensuring a fairer distribution of profits and taxing rights among countries with respect to the largest and most profitable multinational companies; welcomes the legislative proposal of the Commission of 22 December 2021 to implement both Pillars of the Inclusive framework; calls on the Council to swiftly adopt such proposals to have the agreement effective by 2023; welcomes the Commission’s proposal on the use of shell companies;
30. Takes note that some Member States took unilateral measures that had an impact on

¹⁵ Proposal to consider abandoning the existing reporting and setting up a harmonised reporting system for cross-border transactions would allow to match transactions more easily (as confirmed by the EPRS study).

¹⁶ COM(2020) 312 final, p. 5. There are other estimations, for example by the European Parliament, with estimated losses from financial crime, tax evasion and tax avoidance amounting to EUR 190 billion. Based on the OECD’s comprehensive work in the Base Erosion Profit Shifting report (BEPS), Action 11, global revenue losses before any of the anti-BEPS measures were decided amounted to some USD 100-240 billion or 0.35 per cent of global GDP. The Commission estimated that EUR 50-70 billion was attributable to the Union before the Anti-Tax Avoidance Directives I and II were agreed on by the Member States.

¹⁷ *ibid.*

international negotiations; notes that the Multilateral Convention (MLC) will require all parties to phase out all digital services taxes and other relevant similar measures with respect to all companies, and to commit to not introduce such measures before the end of 2023;

Paving the way for the new Union business taxation agenda

31. Recalls that future Union policy options and political choices in the area of business taxation should be based on tax fairness, efficiency and transparency, while also taking into account the need for the stability of Member States' tax revenues, given the decisive role of governments in fostering a sustainable economic recovery from the COVID-19 crisis, leading to fairly shared taxes for all types of multinational companies, while reducing costs of compliance for taxpayers, especially SMEs, as well as removing sources of business distortions in the single market, and in trade and investments;
32. Supports the rationale of the Commission's proposal on the Business in Europe: Framework for Income Taxation (BEFIT) expected in 2023, with a view to designing a new and single Union corporate tax rulebook, based on a fair, comprehensive and effective formulary apportionment and a common tax base of income taxation for businesses, which will provide clarity and predictability for companies, reflecting the consensus reached in the OECD Pillar 1 and Pillar 2 negotiations; recalls that previous attempts by the Union to define a common rulebook considered three factors: labour, assets and sales; considers that focusing on one factor would have an unbalanced impact on the tax revenues of Member States; calls on the Commission to consider measures that would ease the implementation of the future BEFIT proposal, in particular for SMEs;
33. Considers, however, that the BEFIT initiative should be supported by the political process in building political support for change and that the initiative should be accompanied by a thorough impact assessment to shape future proposals, which should contribute to reaching a consensus between Member States; looks forward to the details on the BEFIT initiative and therefore calls on the Commission to initiate a wide inclusive consultation process with stakeholders, Member States, including their national parliaments, and the European Parliament, and to engage in dialogue with experts and citizens, on guiding principles ahead of the launch of the BEFIT proposal by the Commission in 2023; emphasises that the implementation of a single tax rule book would bear a significant merit to reduce the scope for profit shifting by recourse of tax planning systems while decreasing compliance costs, in particular for cross-border economic operations;
34. Notes that the new corporate tax agenda includes a mechanism to address the debt-equity bias through an incentive system, helping to support the resilience of companies in adverse economic circumstances in the future and remove incentives that favour a corporate financing model that is too reliant on debt; notes the Commission's intention to draft a proposal on a debt equity bias reduction allowance and requests the Commission to perform a thorough impact assessment and incorporate strong anti-avoidance provisions to avoid any allowance on equity to be used as a new tool for base erosion;

35. Supports, for the purposes of tax transparency, the collection of regularly updated data on the effective corporate tax rates paid by the Union's largest companies on their generated profits within the Union; such mapping should be used to assess the efficiency of the tax framework and rules in place;
36. Requests that the Commission submit by 2022/2023 one or more legislative proposals following the recommendations set out in the Annex hereto;
37. Considers that the financial implications of the requested proposal should be covered by appropriate budget allocations;
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 - ◦
38. Instructs its President to forward this resolution and the accompanying recommendations to the Commission and the Council.

**ANNEX TO THE MOTION FOR A RESOLUTION:
RECOMMENDATIONS AS TO THE CONTENT OF THE PROPOSAL REQUESTED**

A. Simplification, reduction of compliance costs for taxpayers

Recommendation A1 - Single EU VAT registration procedure and the Single EU VAT number

The European Parliament calls on the Commission to move towards the adoption of a Single EU VAT registration procedure and the Single EU VAT number by 2023.

Such a procedure should:

- Reduce the costs of compliance, notably for SMEs operating in the single market, and propose an identical process for VAT registration across the Union (respecting different conditions for registration in Member States).
- Ensure that registration is easily accessible and use a harmonised online platform(s), that operates in the same manner across the Union, in an agreed minimum number of languages, to allow easier use across the Union.

Recommendation A2 - Simpler taxation for and with European Companies (SEs) / SMEs

The European Parliament calls on the Commission to introduce measures to further reduce costs and complexity of taxation of SMEs and SEs by 2023.

- Several initiatives referred in this report should be proposed by the Commission, which should be quickly followed by concrete proposals to support SMEs in the post COVID-19 economy.
- To further support SEs and start-ups, the European Parliament asks the Commission to assess the option of introducing a unique pan-European income tax regime for SEs and start-ups to minimise the costs associated with tax compliance especially in cases where they operate in more than one Member State. The regime would be optional for SEs (e.g. restricted by the turnover) and could be based on the SE. Tax revenues from the regime would be allocated to the Member States using an agreed formula (e.g. based on the proportion of residents employed).

B. More certainty for taxpayers and/or Member States' tax administrations

Recommendation B1 - Dispute resolution mechanism for cases where two or more Member States claim tax residency:

The European Parliament calls on the Commission to reflect the experience and identify remaining gaps in the existing Council Directive (EU)2017/1852 on tax dispute resolution mechanisms in the Union, and propose an efficient way(s) to address the existing conflicts and uncertainties regarding residency for both natural and corporate persons, causing risks of double taxation or/and double non taxation. Invites the Commission to issue proposals on the definition of tax residency by 2023.

The European Parliament also recalls that the outcome of disputes should be made publicly available in the form of a summary, based on the procedure outlined in Article 18 of Directive (EU) 2017/1852 and should include effective tax rates. The regime set out must ensure time limits, reflecting the problems caused by dispute to taxpayers for obtaining a decision will be legally binding and enforced. Given the changes in the post COVID-19 economy, including a move to remote working, the Commission should as soon as possible assess if current legislation is sufficient in reducing the risks of double taxation for taxpayers and, if appropriate, carry out a revision of that Directive, or alternatively, propose new measures. It is also noted that that Directive lacks visibility and more should be done by the Commission to ensure citizens are aware that this mechanism is available.

Recommendation B2 - Extension of automatic exchange of information

The European Parliament calls on the Commission to assess the need and the most appropriate way for the automatic exchange of information between Member States to be extended to include further categories of income and assets such as crypto-assets (DAC8). Since Member States are legally bound to send data only for those categories for which information is already available, there seems to be, as a consequence, a lack of information concerning certain categories of income and assets.

Recommendation B3 - Guidelines on positive tax incentives

The European Parliament calls on the Commission to issue guidelines on tax incentives that do not distort the single market. This is due to the fact that tax certainty for taxpayers and Member States would be reinforced if Member States had a common understanding of what tax incentives boost economic performance in the Union without harming the functioning of the single market.

C. Reduction of tax gap and compliance costs

Recommendation C1 - E-invoicing

The European Parliament calls on the European Commission to:

- Set-up a harmonised common standard for e-invoicing across the Union without delay and by 2022 to reduce the cost of the creation of fragmented, different system across the Member States.
- Establish the role of e-invoicing in real-time reporting.
- Explore the possibility of a gradual introduction of obligatory e-invoicing across the Union by 2023, focusing on a significant reduction of costs of compliance, especially for SMEs. Issuing invoices should be administered only via state-operated/certified “system(s)” with full data protection ensured.
- By 2023, examine the possibility that the system will provide a part (or full) tax compliance data/documents for eligible taxpayers, including the responsibility for the compliance of these returns (or parts of them), especially from the point of view of reducing compliance costs and risk for SMEs.

Recommendation C2 - Alternative to the reduction of the VAT Gap

The European Parliament calls on the Commission, with a view to substantially reducing the VAT gap across the Union, especially in the post COVID-19 economy, to propose measures which would significantly reduce the identified VAT gap, especially the gap associated with the exemption on cross-border Union trade. The request can be fulfilled by one or more of the following initiatives by 2022-2023:

- Relaunch the initiative of the definitive regime as the most natural and efficient way to address VAT tax fraud, costing a significantly large yearly loss.
- Simplify compliance with VAT obligations and receive data for monitoring and tackling tax fraud¹ in order to reduce the administrative VAT burden related to cross-border trade, calls on the Commission to propose gradually but promptly a further extension of the scope of the existing OSS platform from B2C to B2B, especially in relation to B2C supplies of goods for which the person liable for the payment of VAT is not established in the Member State in which the VAT is due, in relation to certain B2B supplies of services when the services supplied are predominantly B2C services and in relation to Article 196 of Directive 2006/112/EC;
- Design and propose a standard for online reporting of data for (in the first instance) cross-border Union trade, preferably by using data from e-invoicing (or from an alternative, but keeping the principle that the data must be provided only once), including efficient and highly secure centralised/decentralised data processing for detection of fraud. The data will replace all existing reporting requirements in this area, and cause the overall costs of compliance to be reduced, notably for SMEs. Data collected should be used with due respect for confidentiality and with consideration of all relevant data protection laws. Use of blockchain (or alternative) technology can be considered and schemes based on common Union standards could be operated by private suppliers.

Recommendation C3 - Single Harmonised Tax Return and OSS

The European Parliament calls on the Commission to bring forward a legislative initiative:

A single and harmonised Corporate Income Tax (CIT) return to support BEFIT in the Union. A standardised approach to the content and format of the tax return could be used to simplify the preparation of the return. Such an option would contribute to simplifying the CIT reporting and to reducing the need to outsource tax compliance work, in particular for SMEs engaging in cross-border business activity.

Recommendation C4 - A Tax Observatory to monitor and quantify trends in European taxation

In 2019, the European Parliament initiated the launch of an EU Tax Observatory as a preparatory action. The European Parliament calls on the Commission to provide an independent assessment of the work done and to propose ways on how to go forward with this initiative.

¹ As per the EPRS' EAVA, the scenario of extended cooperation – exchange of information + OSS will trigger a European Added Value of around EUR 39 billion.

D. A new coordinated European Corporate Income Tax system

Recommendation D1 - Solving the Debt Equity Bias

The Commission has announced an initiative to mitigate the tax induced debt equity bias in corporate investment decisions induced by the deductibility of interest payments on debt financing.

The European Parliament calls on the Commission:

- *To perform a thorough impact assessment and include robust anti-avoidance clauses in the future Debt Equity Bias Reduction Allowance proposal; to consider that such bias can be tackled by either allowing for new deduction of costs related to equity financing or by reducing the interest deduction possibilities and recalls limiting the reduction of the deduction of exceeding borrowing costs to up to 20 % of the taxpayer's earnings before interest, tax, depreciation and amortisation (EBITDA) as another solution to reduce the debt equity bias.*

Recommendation D2 - A single tax rulebook for the Union

In the Framework of the future BEFIT, the European Parliament calls on the Commission to:

- Analyse different elements of what constitutes the real economic activity of firms are taken into account (sales, workforce, assets).
- Launch a wide consultation that involves Member States, national parliaments and the European Parliament.

E. Effectiveness of tax administrations, exchange of tax information and quality of data

Recommendation E1 – Eurofisc 2.0

The European Parliament calls on the Commission to:

- Strengthen the Union's network of anti-fraud experts, Eurofisc, and provide sufficient resources to effectively carry out joint risk analyses, coordinate investigations and cooperate with the European Anti-Fraud Office (OLAF), Europol and the European Public Prosecutor's Office, in particular with a view to investigating VAT fraud.
- Come forward with the Eurofisc 2.0 proposal. Reiterates the recommendations from its resolution of 16 September 2021 on the implementation of the EU requirements for exchange of tax information: progress, lessons learnt and obstacles to overcome. Notes that Eurofisc 2.0 could greatly contribute to the effective use by tax administrations of the tax information exchanged and the quality of information exchanged.

INFORMATION ON ADOPTION IN COMMITTEE RESPONSIBLE

Date adopted	2.2.2022
Result of final vote	+: 43 -: 7 0: 9
Members present for the final vote	Rasmus Andresen, Gerolf Annemans, Gunnar Beck, Marek Belka, Isabel Benjumea Benjumea, Stefan Berger, Gilles Boyer, Carlo Calenda, Engin Eroglu, Markus Ferber, Jonás Fernández, Raffaele Fitto, Frances Fitzgerald, José Manuel García-Margallo y Marfil, Luis Garicano, Valentino Grant, Claude Gruffat, José Gusmão, Enikő Győri, Eero Heinäluoma, Michiel Hoogeveen, Danuta Maria Hübner, Stasys Jakeliūnas, France Jamet, Othmar Karas, Billy Kelleher, Georgios Kyrtos, Ioannis Lagos, Aurore Lalucq, Aušra Maldeikienė, Pedro Marques, Costas Mavrides, Csaba Molnár, Siegfried Mureşan, Caroline Nagtegaal, Luděk Niedermayer, Lefteris Nikolaou-Alavanos, Piernicola Pedicini, Lídia Pereira, Sirpa Pietikäinen, Dragoş Pişlaru, Evelyn Regner, Antonio Maria Rinaldi, Dorien Rookmaker, Alfred Sant, Joachim Schuster, Ralf Seekatz, Pedro Silva Pereira, Paul Tang, Irene Tinagli, Ernest Urtasun, Inese Vaidere, Johan Van Overtveldt, Stéphanie Yon-Courtin, Marco Zanni, Roberts Zīle
Substitutes present for the final vote	Damien Carême, Ville Niinistö, Linea Sjøgaard-Lidell

FINAL VOTE BY ROLL CALL IN COMMITTEE RESPONSIBLE

43	+
ECR	Raffaele Fitto
ID	Valentino Grant, Antonio Maria Rinaldi, Marco Zanni
NI	Ioannis Lagos
PPE	Isabel Benjumea Benjumea, Stefan Berger, Markus Ferber, José Manuel García-Margallo y Marfil, Danuta Maria Hübner, Othmar Karas, Georgios Kyrtos, Aušra Maldeikienė, Siegfried Mureşan, Luděk Niedermayer, Lídia Pereira, Sirpa Pietikäinen, Ralf Seekatz, Inese Vaidere
Renew	Gilles Boyer, Carlo Calenda, Engin Eroglu, Luis Garicano, Dragoş Pîslaru, Stéphanie Yon-Courtin
S&D	Marek Belka, Jonás Fernández, Eero Heinäluoma, Aurore Lalucq, Pedro Marques, Csaba Molnár, Evelyn Regner, Joachim Schuster, Pedro Silva Pereira, Paul Tang, Irene Tinagli
Verts/ALE	Rasmus Andresen, Damien Carême, Claude Gruffat, Stasys Jakeliūnas, Ville Niinistö, Piernicola Pedicini, Ernest Urtasun

7	-
ECR	Michiel Hoogeveen, Dorien Rookmaker
ID	Gerolf Annemans, Gunnar Beck
NI	Enikő Győri, Lefteris Nikolaou-Alavanos
The Left	José Gusmão

9	0
ECR	Johan Van Overtveldt, Roberts Zile
ID	France Jamet
PPE	Frances Fitzgerald
Renew	Billy Kelleher, Caroline Nagtegaal, Linea Sjøgaard-Lidell
S&D	Costas Mavrides, Alfred Sant

Key to symbols:

+ : in favour

- : against

0 : abstention