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REPORT

on the Annual Tax Report
(2011/2271(INI))

Committee on Economic and Monetary Affairs

Rapporteur: Olle Schmidt

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the Annual Tax Report (2011/2271(INI))

The European Parliament,

- having regard to the Communication from the European Commission ‘Double taxation in the single market’ (COM(2011)0712, and to the Proposal (recast) for a Council Directive on interest and royalty payments (COM(2011)0714,
- having regard to the Commission’s Communication on removing cross-border tax obstacles for EU citizens (COM(2010)0769),
- having regard to the Commission’s Staff Working Document accompanying the Commission’s Communication on removing cross-border tax obstacles for EU citizens (SEC(2010)1576),
- having regard to the Commission’s Staff Working Document on the responses received in the course of the Commission’s consultation on double taxation conventions and the internal market: Factual example of double taxation cases (SEC(2011)0467),
- having regard to the Commission’s Communication on Concluding the first European semester of economic policy coordination: Guidance for national policies in 2011-2012, (COM(2011)0400),
- having regard to the joint letter of 17 August 2011 from Nicolas Sarkozy, President of the French Republic, and Angela Merkel, Chancellor of Germany, to Herman Van Rompuy, President of the European Council,
- having regard to the OECD publication ‘Corporate Loss Utilisation through Aggressive Tax Planning’, 2011¹,
- having regard to the briefing paper ‘How effective and legitimate is the European Semester? Increasing the role of the European Parliament’²,
- having regard to the Commission publication ‘Taxation Trends in the EU’ (2011 Edition)³,
- having regard to the OECD Consumption Tax Trends 2010⁴,
- having regard to the Mario Monti report on a new strategy for the single market, 2010,
- having regard to the Commission’s Staff Working Document on the Economic Impact of the Commission Recommendation on Withholding Tax Relief Procedures and the FISCO

¹ http://www.oecd.org/document/61/0,3746,en_2649_33767_48570813_1_1_1_1,00.html

² <http://www.bruegel.org/publications/publication-detail/publication/599-how-effective-and-legitimate-is-the-european-semester-increasing-the-role-of-the-european-parliament/>

³ http://ec.europa.eu/taxation_customs/taxation/gen_info/economic_analysis/tax_structures/index_en.htm

⁴ http://www.oecd-ilibrary.org/taxation/consumption-tax-trends-2010_ctt-2010-en

Proposals (SEC(2009)1371),

- having regard to the Commission’s Recommendation on Withholding Tax Relief Procedures (COM(2009)0784),
 - having regard to Alain Lamassoure’s ‘Report on the Citizen and Application of Community law’ of 8 June 2008¹,
 - having regard to its report of 2 September 2008 on a coordinated strategy to improve the fight against fiscal fraud²,
 - having regard to the Commission’s Communication of 10 December 2007 on the application of anti-abuse measures in the area of direct taxation – within the EU and in relation to third countries (COM(2007)0785),
 - having regard to the Commission’s Communication of 31 May 2006 concerning the need to develop a coordinated strategy to improve the fight against fiscal fraud (COM(2006)0254),
 - having regard to the Commission’s Communication of 19 December 2006 on Exit taxation and the need for coordination of Member States’ tax policies (COM(2006)0825),
 - having regard to the Eures Channel Advisers’ Report on several obstacles to mobility of EU citizens in cross-border regions, 2002³,
 - having regard to the Commission’s Communication of 23 May 2001 on ‘Tax policy in the European Union – Priorities for the years ahead’ (COM(2001)0260),
 - having regard to Motion for a Resolution B7-0531/2011, tabled pursuant to Rule 120 by Cristina Muscardini and other Members,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A7-0014/2012),
- A. whereas the EU’s internal market with mobility of persons, services, goods and capital is not fully functioning and there are still areas that need to be improved;
- B. whereas EU citizens and businesses that are working and operating cross-border experience tax obstacles that are leading to significant barriers to growth and employment on the EU’s internal market, and whereas these barriers must be removed to ensure a more competitive Europe that creates growth and employment;
- C. whereas the administrative cost caused by tax systems to medium-sized companies is unnecessarily burdensome and high in some Member States;

¹ <http://www.alainlamassoure.eu/liens/817.pdf>

² OJ C 295E, 4.12.2009, p. 13.

³ http://www.eureschannel.org/en/dossiers/WEBrapport_obst_E.pdf

- D. whereas the current economic and financial crisis has led to a significant rise in public debt in Europe; whereas the excessive public and private debt in the Member States has triggered the current financial crisis; whereas, in this context, the automatic stabilisers of the welfare state remain more relevant than ever to ensure growth and social cohesion;
- E. whereas effective taxation is of fundamental importance for public authorities, especially in Europe, to fulfil their tasks and obligations as well as citizens' expectations; whereas states with high deficits are currently facing the need to apply measures to increase their taxes, but those measures should not be harmful to growth;
- F. whereas sound fiscal consolidation, together with fairer and more targeted distribution of the tax burden, is necessary to ensure fiscal credibility, and the reduction of debt requires both expenditure restraint and tax increases, while growth-oriented tax changes must be given priority; whereas this will create the foundations for long-term growth;

General considerations

Preventing double non-taxation, tax fraud and tax havens and increasing tax transparency

1. Notes that the core functions of the tax systems are to finance public services, such as education, healthcare, public transport and infrastructure, protect public goods, by incentivising for example the production and consumption of environmentally-friendly products and reduce social inequalities by ensuring a more equal distribution of income and wealth;
2. Notes that taxation is still a matter for national and in some cases local sovereignty and that the different structures of the Member States' tax systems should therefore be respected; notes that Treaty changes would be necessary in order for decision-making on tax policies to be transferred from the national to the EU level; notes, therefore, that an increase in scrutiny of budgetary procedures by the Commission should be mirrored by greater democratic scrutiny by the European Parliament;
3. Notes that improving the single market and possibly some tax harmonisation could be key factors for encouraging growth and job creation; notes that tax policies must aim to foster European competitiveness and lower costs for European business, particularly Small and Medium-sized Enterprises;
4. Notes a lack of coordination of tax policies in the EU that can lead to significant costs and administrative burdens for citizens and businesses operating cross-border within the EU;
5. Calls upon the Member States to make their tax systems more growth-friendly by improving tax design and implementing shifts towards less distortionary taxes while safeguarding the social market objective;
6. Stresses that fruitful lessons can be learnt for all from the examples of those Member States where taxation and the collection of tax have proven track-records;
7. Underlines the need for a simplification of VAT regimes in order to eliminate double

taxation and bureaucracy for employers;

8. Underlines that a low tax level is essential not only for the social welfare of families and households but also for competitiveness and new jobs; stresses the need for controlled and efficient public spending and stable public finances;
9. Underlines that proposals from the Commission regarding taxation must contribute to European competitiveness by eliminating distortions of competition which arise from the various taxation systems in place; also underlines that Commission proposals must not contribute to increased tax burdens;
10. Notes that Member States with high deficits or which have suffered the worst decline in GDP growth will have to explore carefully the roots of their deficits and increase tax revenues through effective and fair taxes, pursue efficient expenditure reductions, fight tax fraud and increase public savings; stresses that tax reforms should prioritise closing loopholes and broadening the tax base, without affecting the capacity of Member States to collect revenue;
11. Believes that fiscal federalism might be a useful tool in order to achieve self-responsibility in tax management at regional level and so entails greater economic efficiency;
12. Takes note of the recent initiatives of the Commission in the field of taxation, such as on a Common Consolidated Corporate Tax Base, on a Financial Transaction Tax, on the future EU VAT system and on the field of energy;
13. Welcomes the introduction of the European Semester as a possible revenue generator for the Member States by means of the exchange of best practices for a more coordinated and sustainable fiscal path;
14. Asks the Commission and Member States to cooperate further on their respective tax policies against double taxation, tax fraud and tax evasion in order to increase transparency and reduce loopholes and uncertainties for businesses and citizens with regard to tax collection, especially when it comes to their respective administrative procedures for filing tax returns; is therefore of the opinion that the Commission, together with the Council, should adopt a strong common initiative on secrecy jurisdictions, which would be better than just bilateral agreements between individual Member States and secrecy jurisdictions;
15. Contends that Member States should look to reduce the tax compliance costs for SMEs, where possible, by streamlining procedures and reducing bureaucratic costs; notes that Member States have different corporate tax bases which may, in practice, function as cross-border trade barriers to growth and employment; supports the proposal from the Commission to introduce a common consolidated corporate tax base, CCCTB, in the EU;
16. Stresses that the CCCTB would improve growth and lead to more jobs in Europe by reducing administrative costs and reducing red tape for companies, particularly for small businesses operating in several EU countries;
17. Calls on the Member States to swiftly adopt the existing proposals and on the Commission

to put forward proposals in line with the proposals made by the European Parliament on savings taxation, green and consumption taxation, avoidance of tax fraud, good governance and double taxation;

18. Notes that the current economic and financial crisis has led to a significant rise in public debt in Europe and that, in order to reduce this huge public debt, both expenditure restraint and tax increases are needed;
19. Points out that the Member States which suffered the worst decline in GDP growth were those which had to increase their taxes the most, while in general, the Member States that were able to cut taxes were those which managed to limit the contraction in real GDP to less than 4%¹;
20. Calls upon the Member States to make their tax systems more growth-friendly by improving tax design and implementing shifts towards less distortionary taxes while safeguarding the social equity objective;
21. Concludes that a coordination of tax policies could be an important component of a fiscal consolidation strategy at EU level and improve the effectiveness of the Member States' new tax policies;

Removing cross-border tax obstacles for EU citizens

22. Notes that eliminating tax obstacles can play an important role in increasing citizens' ability and confidence to work, retire, shop and – together with enterprises – invest in the EU;
23. Welcomes the fact that the Communication on removing cross-border tax obstacles for EU citizens identifies the most relevant complaints by EU citizens about cross-border tax obstacles, and looks forward to the Commission's proposals in this area;
24. Welcomes the fact that the Commission wants to increase its efforts to ensure that all EU citizens have access to information and advice which they need on tax rules within the EU;
25. Notes that Member States have agreed that citizens should have better access to tax information;
26. Underlines the importance of ensuring that citizens do not face tax obstacles to exercising the freedoms in the Internal Market;
27. Calls on the Commission to share information about best practices in the EU Member States and in other OECD countries concerning tax information to citizens and businesses, and asks the Commission to develop efficient tools to facilitate and encourage the exchange of this information and best practices on taxation, including the setting-up of pilot projects, in order to foster European competitiveness in the long term; underlines further that the Commission should ensure that Eurostat collects and verifies statistics on

¹ Commission publication 'Taxation Trends in the EU' (2011 Edition)

tax avoidance and evasion across the EU;

28. Recognises that certain Member States have established simplified procedures for claiming tax refunds under their double taxation agreements, and that some Member States have developed internet sites for non-residents or foreign taxpayers with information and forms in various languages;
29. Ask the Member States to support the Commission's plans to improve the coordination and cooperation with and between Member States' tax administrations on appropriate solutions to prevent double taxation and other cross-border tax obstacles;
30. Notes that double taxation is a barrier to cross-border activities and investments and that there is a need for coordinated solutions to overcome this problem;
31. Calls on the Commission to propose ways of simplifying tax compliance in cross-border situations;
32. Welcomes the Commission's public consultation on taxes on cross-border payments of dividends to portfolio and individual investors in the EU, tackling cross-border inheritance tax obstacles within the EU, and looks forward to the Commission's future proposals in this area;
33. Calls on the Commission and Member States to find ways of removing tax obstacles to cross-border work and transnational mobility as soon as possible so that the objectives of the EU 2020 strategy – namely increased economic growth and employment – can be attained as soon as possible;
34. Calls on the Commission to more actively pursue complaints and ensure greater transparency and information for citizens on the results of complaints about Member States' tax laws and infringement cases in the tax field, as well as on their follow-up;
35. Calls on the Commission to continue its work in the Europe Direct and Your Europe citizens' advice services and to further develop the Europe Direct web portal so that EU citizens can find information from EU 27 tax authorities; stresses the need for that information to be provided in a user-friendly format;
36. Calls on the Commission to reinforce the administrative cooperation among Member States in the field of double taxation, including by concentrating more projects and resources of the Fiscalis programme on solutions to taxpayers' concrete problems;

Removing discrimination and double taxation for EU citizens and businesses

37. Stresses the importance of resolving problems such as double taxation of businesses and individuals, incompatibilities between different tax systems and lack of access to information on national tax rules;
38. Emphasises that it is in the interest of business and citizens to establish a clear, transparent and stable tax environment within the single market since lack of transparency on tax rules is an obstacle to cross-border activities and investments in the EU;

39. Emphasises that double taxation reduces the competitiveness of the businesses affected as well as hindering the single market as a whole;
40. Welcomes the Communication from the Commission on ‘Double taxation in the single market’ for an EU strategy and solutions to problems with cross-border double taxation;
41. Believes that the Treaty on European Union obliges Member States to resolve the issue of double taxation, which they should do in accordance with Articles 4(3) and 26 of the TFEU regarding the Internal Market;
42. Concludes that bilateral tax treaties between Member States do not solve all the problems of discrimination and double taxation for citizens and businesses;
43. Welcomes the Commission’s idea of setting up a working group on double taxation problems, involving tax authorities of Member States and, where appropriate, consumer associations; calls on the Commission to strengthen the EU working group on business taxation, the Joint Transfer Pricing Forum (JTPF), and to engage with the business community and advocates of consumers’ rights;
44. Asks the Commission to initiate a new VAT forum, similar to the Joint Transfer Pricing Forum (JTPF), with which companies can raise corporate VAT issues and disputes between Member States;
45. Calls on the Member States to improve the procedures which allow Small and Medium-sized Enterprises to claim back more quickly VAT which they have paid, thus shortening the reimbursement period;
46. Calls on the Commission to propose a binding dispute settlement mechanism, as suggested by the Monti report, covering double taxation suffered by individuals and businesses;
47. Notes that administrative obstacles and legal uncertainty make it difficult for EU citizens to move freely with their cars within the single market; calls therefore on Member States to abolish double taxation of registration of cars;
48. Calls on the Member States to modernise and update the rules on cross-border relief for companies and to simplify and modernise electronic invoicing rules with a view to ultimately creating a single ‘European e-invoice template’;

Preventing double non-taxation and tax fraud and increasing tax transparency

49. Notes that tax evasion and the lack of tax transparency threaten government revenues and cost billions of euros;
50. Notes that there is a need to strike a proper balance between the public interest in combating abuse, avoiding disproportionate restrictions on cross-border activity within the EU, and better coordinating the application of anti-abuse measures in relation to third countries; regrets that some Member States have concluded agreements with third countries which permit the continuance of tax avoidance and tax secrecy;

51. Calls on the Member States to

set up and implement effective tax systems that prevent their tax bases from being unduly eroded because of inadvertent non-taxation and abuse;

apply anti-abuse measures to target artificial arrangements designed to circumvent national legislation or Community rules as transposed into national legislation;

continue to share information about aggressive tax planning schemes on corporate losses and their detection and response strategies, and to measure and then publish information on the effectiveness of the strategies used;

consider the introduction of cooperative compliance programmes and the introduction or revision of disclosure initiatives targeted at aggressive tax planning schemes;

finally conclude the reform of the Savings Tax Directive to enforce automatic information exchange, which has been blocked for some time in the Council, in order to ensure fair and appropriate taxation of savings in the EU; stresses that all affected jurisdictions should implement administrative cooperation that does not violate the taxpayer's procedural rights and right to privacy, by offering automatic information exchange extended to companies and trusts and not just to individuals;

notify and make public tax rulings by national authorities for companies operating cross-border;

provide tax incentives for SMEs, such as tax exemptions and cuts, to encourage entrepreneurship, innovation and job creation;

promote reforms to limit the room for tax evasion by establishing efficient revenue-collecting mechanisms that minimise the relation between the taxpayer and the tax authorities and maximise the use of modern technology and focus on e-governance in recording and monitoring economic activity;

52. Calls on the Commission to

identify the areas in which improvements to both EU legislation and administrative cooperation between Member States can be made to reduce tax fraud;

provide more budgetary resources and staff to DG TAXUD to develop EU policies and proposals concerning double non-taxation, tax evasion and fraud;

tackle harmful tax competition and double non-taxation of large companies that artificially shift profits to minimise the effective tax rate; notify and make public tax rulings by national authorities for companies operating cross-border;

tackle tax fraud more strictly by means of prosecutions under the criminal law;

53. Calls on the Member States to give top priority to combating the use of tax havens for illicit purposes and calls on the Commission in cooperation with the European Parliament – taking into account, as a first step, the OECD definition and list of tax havens or secrecy

jurisdictions – to establish an EU definition and list; calls for a single European agreed definition, pending agreement on a definition at global level;

54. Acknowledges that the OECD's Global Forum on transparency and exchange of information for tax purposes is the leading international forum for combating tax evasion and, therefore, strongly supports its work; notes its shortcomings as a forum of low common denominators; also acknowledges sensible initiatives at the national, EU and global level aiming at a practicable solution to this persistent issue;
55. Asks the Commission for more swift action on tax evasion and fraud;
56. Calls on the Member States to conclude anti-fraud and tax information exchange agreements with Andorra, Monaco and San Marino and a new agreement with Switzerland, and to update them regularly afterwards;
57. Concludes that a lack of cooperation and coordination between Member States' tax systems may result in unintended non-taxation and lead to tax avoidance, abuse and fraud;
58. Calls on the Commission to analyse the fiscal implications of the implementation of the European Semester and publish a report during 2012;
59. Calls for adequate budgetary resources and staffing to be provided to the European Court of Auditors and OLAF to develop efficient control mechanisms and oversight of budgetary procedures at EU level;
60. Calls on the Commission to identify and give priority to policy measures that have fiscal implications in the Member States' Stability and Convergence Programmes and National Reform Programmes;

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61. Instructs its President to forward this resolution to the Council, the Commission and the national parliaments.

EXPLANATORY STATEMENT

For the first time the European Parliament decided to publish an Annual Tax report.

The objective of the report is to feed in to the work of the Commission work programme for 2012.

The report focuses on the tax initiatives taken by the Commission during 2011 and on areas where further initiatives are necessary in order to improve the functioning of the Single market and to create a more competitive Europe.

The report also aims to address tax problems that EU citizens face in cross-border situations within the EU. For example, EU citizens working or investing in another EU Member State they may encounter issues of double taxation and may have difficulties with obtaining allowances, tax reliefs or deductions from foreign tax authorities.

The report also aims to examine areas where further tax coordination may be necessary and where the EU can play a role. Proposals from the Commission in this area may have a positive effect in the daily lives of many European citizens and businesses.

The question of tackling discriminatory tax rules in Member States that are in conflict with the fundamental freedoms guaranteed by the EU Treaties also is of key importance. The report asks the Member States and the Commission to present proposals for solutions in this field.

The report also comments on how to prevent tax avoidance, tax abuse and increase tax transparency.

Finally, the report concludes that the fiscal implications of the introduction of the European Semester have to be evaluated and asks the Commission to present a report in 2012.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	20.12.2011
Result of final vote	+: 37 -: 5 0: 1
Members present for the final vote	Burkhard Balz, Sharon Bowles, Udo Bullmann, Pascal Canfin, Nikolaos Chountis, George Sabin Cutaş, Leonardo Domenici, Derk Jan Eppink, Diogo Feio, Markus Ferber, Elisa Ferreira, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Sylvie Goulard, Gunnar Hökmark, Syed Kamall, Othmar Karas, Wolf Klinz, Jürgen Klute, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Werner Langen, Astrid Lulling, Arlene McCarthy, Ivari Padar, Alfredo Pallone, Anni Podimata, Antolín Sánchez Presedo, Olle Schmidt, Edward Scicluna, Peter Simon, Theodor Dumitru Stolojan, Kay Swinburne, Marianne Thyssen, Corien Wortmann-Kool
Substitute(s) present for the final vote	Sophie Auconie, Pervenche Berès, Saïd El Khadraoui, Ashley Fox, Danuta Maria Hübner, Sophia in 't Veld, Olle Ludvigsson, Thomas Mann
Substitute(s) under Rule 187(2) present for the final vote	Markus Pieper