



**B9-0341/2022**

29.6.2022

## **MOTION FOR A RESOLUTION**

to wind up the debate on the statements by the Council and the Commission

pursuant to Rule 132(2) of the Rules of Procedure

on national vetoes to undermine the global tax deal  
(2022/2734(RSP))

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on behalf of The Left Group

**B9-0341/2022**

**European Parliament resolution on national vetoes to undermine the global tax deal (2022/2734(RSP))**

*The European Parliament,*

- having regard to Part Three and Article 116 of the Treaty on the Functioning of the European Union (TFEU),
  - having regard to Article 20 of the Treaty on European Union (TEU),
  - having regard to the Organisation for Economic Co-operation and development (OECD)/G20 Inclusive Framework on base erosion and profit shifting (BEPS) ‘Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy’, which was joined and agreed to by 137 out of 141 members on 4 November 2021,
  - having regard to the Commission proposal for a Council directive on ensuring a global minimum level of taxation for multinational groups in the Union (COM(2021)0823),
  - having regard to its position of 19 May 2022 on the proposal for a Council directive on ensuring a global minimum level of taxation for multinational groups in the Union<sup>1</sup>,
  - having regard to the EU Tax Observatory analysis of 25 October 2021 entitled ‘Revenue effects of the global minimum tax: country-by-country estimates’,
  - having regard to the Polish Economic Institute study of January 2020 entitled ‘Tax unfairness in the European Union: towards greater solidarity in fighting tax evasion’,
  - having regard to Rule 132(2) of its Rules of Procedure,
- A. whereas on the 8 October 2021, 136 out of 140 members of the OECD/G20 Inclusive Framework on BEPS agreed on a reform of the international tax system under a two-pillar solution to address the challenges stemming from the digitalisation of the economy and to limit competition on corporation tax through the introduction of a global minimum tax rate of 15 %
- B. whereas in 2020 only six EU Member States had an effective rate lower than 15 %;
- C. whereas several rounds of negotiations resulted in a mitigated commitment lower than the original proposal of 21 %;
- D. whereas the implementation of the global minimum tax rate under the aforementioned two-pillar reform would see countries collect approximately USD 150 billion in new

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<sup>1</sup> Texts adopted, P9\_TA(2022)0216.

revenues annually<sup>2</sup>;

- E. whereas the EU alone would stand to increase its corporate income tax revenue by approximately EUR 64 billion annually by levying a minimum effective corporate tax rate of 15 % in accordance with Pillar II of this global deal<sup>3</sup>;
- F. whereas independent studies estimate that an EU 25 % rate without carve-outs would allow the collection of EUR 234 billion<sup>4</sup>;
- G. whereas tax matters in the Union are subject to a special legislative procedure and are decided on by unanimity in the Council;
- H. whereas all OECD and G20 countries, including all 27 EU Member States, welcomed the agreement to reform international tax rules in October 2021;
- I. whereas, despite this commitment, the adoption of an EU directive to uphold and implement Pillar Two of this international agreement (Pillar II Directive) has failed three times at the Economic and Financial Affairs (ECOFIN) configuration of the Council, due to the failure to reach unanimity;
- J. whereas Poland, and most recently Hungary, have invoked their national vetoes to prevent the adoption of the Pillar II Directive, although it was supported by all of the other 26 Member States;
- K. whereas Hungary, in spite of having agreed to the implementation of the directive at previous ECOFIN meetings, invoked its veto at the June 2022 ECOFIN meeting, following the withdrawal of the long-standing veto by Poland;
- L. whereas the public revenues deriving from the implementation of the Pillar II Directive in the EU would be particularly important in the context of the war in Ukraine and its economic and social consequences within the EU, as well as the need for tax justice and to ensure the post-pandemic economic recovery on the basis of a transition towards climate neutrality;

### ***General Considerations***

1. Asserts that existing international tax rules are largely outdated and unable to address the increasing digitalisation of the economy and effectively curb tax evasion and avoidance; asserts the urgent need for reform of the rules through the adoption of the OECD/G20 global tax deal, so that international, EU and national tax systems are fit for the new economic, social and technological challenges of the 21st century;
2. Notes with great concern the persistent race to the bottom in terms of corporate income tax rates in the developed economies over the last number of decades; highlights the sharp decline in average EU corporate income tax rates from 33.3 % in 2000 to 22.7 % by

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<sup>2</sup> <https://www.oecd.org/tax/international-community-strikes-a-ground-breaking-tax-deal-for-the-digital-age.htm>

<sup>3</sup> <https://www.taxobservatory.eu/wp-content/uploads/2021/10/Note-2-November-2021-1.pdf>

<sup>4</sup> <https://www.taxobservatory.eu/wp-content/uploads/2021/10/Note-2-November-2021-1.pdf>

2020<sup>5</sup>; reiterates the urgent need to impose a floor on corporate income tax through the introduction of the minimum effective rate of 15 %, in accordance with Pillar II of the global tax deal;

3. Highlights that the existing tax rules and mismatches between tax rules across Member States and further afield, coupled with a lack of international cooperation, among other issues, are enabling multinationals to engage in aggressive tax planning which significantly reduces their effective tax rates; recalls that this situation also places small and medium-sized enterprises (SMEs) at a significant competitive disadvantage, as they are paying considerably higher effective tax rates than multinationals, which is unacceptable;
4. Deplores the fact that the losses resulting from the use of international transactions for tax avoidance and evasion deprives EU Member States of EUR 170 billion annually<sup>6</sup>;
5. Highlights its recently adopted position on the Pillar II Directive, which calls for rapid implementation by January 2023;
6. Stresses that only 10 to 15 % of multinationals are covered by the international agreement, and that the exclusions and carve-outs included in the agreement allow for further tax avoidance and evasion; stresses, furthermore, the dynamic nature of tax evasion and avoidance; calls on the Commission to keep updating relevant legislation to better tackle this key issue;

#### ***Current decision-making process and impact of national vetoes***

7. Stresses that unanimity voting in the Council over tax policy is not conducive to ushering in the changes needed to tackle the current challenges; regrets that the current situation often leads to delays and lack of progress in the harmonisation of tax rules across the Union that would be to the benefit of all;
8. Underlines with deep concern the fact that national vetoes have consistently hampered progress in many important areas of taxation, with proposals such as the common consolidated corporate tax base (CCCTB), the revision of the Interest and Royalties Directive, the reform of the Code of Conduct on Business Taxation, and now the Pillar II Directive being blocked in the Council as a consequence;
9. Deplores the fact that national vetoes in taxation matters have been exploited, weaponised and used as bargaining chips by certain Member States to achieve gains, extract concessions and pursue other self-serving interests in areas beyond and unrelated to taxation; stresses that the existence of these vetoes threatens to perpetuate harmful tax practices and social injustice that undermine the Union's ability to function effectively, foster a level playing field and protect the best interests of its citizens and SMEs;

#### ***Recommendations for action and areas for reform***

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<sup>5</sup> <https://tradingeconomics.com/euro-area/corporate-tax-rate>

<sup>6</sup> [https://pie.net.pl/wp-content/uploads/2018/07/PIE\\_Report\\_Tax\\_Havens\\_EU.pdf](https://pie.net.pl/wp-content/uploads/2018/07/PIE_Report_Tax_Havens_EU.pdf)

10. Calls on Hungary to immediately end its senseless blocking of the global tax deal in the Council; deplores the fact that a single Member State has the capacity to hold both the implementation of such a historic deal and 26 other Member States hostage in the fight for greater tax justice;
11. Reiterates its call on the Commission to refrain from approving the Hungarian national recovery plan until it has fully complied with all European Semester country-specific recommendations on the rule of law and implemented all the relevant judgments of the Court of Justice of the European Union and European Court of Human Rights;
12. Calls on the Commission to make use of the procedure laid down in Article 116 of the TFEU on certain tax policies in order to waive the unanimity requirement in cases where the Commission finds that a difference between the provisions laid down by law, regulation or administrative action in Member States is distorting the conditions of competition in the internal market; urges the Member States, in this regard, to embrace the transition from unanimity to qualified majority voting (QMV) in these areas for these reasons; recalls in this regard Ursula Von der Leyen's manifesto when she stood as candidate for the President of the Commission, which included a commitment to 'make use of the clauses in the Treaties that allow proposals on taxation to be adopted by co-decision and decided by qualified majority voting in the Council';
13. Calls on the Commission to relaunch a proposal to move from unanimity to QMV in a number of fields of taxation, particularly when these are necessary to combat tax fraud, avoidance and evasion, as well as in tax-related measures relating to the protection of our environment and achieving our goal of climate neutrality by 2050 by means of the European Green Deal; recalls former Commission President Jean Claude Juncker's 2018 state of the Union speech, which called for a system of qualified majority for taxation matters;
14. Calls on the Commission to reflect further on whether it would be appropriate to implement the global tax deal through the enhanced cooperation procedure laid down in Article 20 of the TEU; calls on the Commission, furthermore, to explore the possibility of creating a mechanism to apply enhanced cooperation as a default in situations where three or fewer Member States block the implementation of taxation measures which aim to ensure tax justice, to combat tax fraud, avoidance, and evasion, and to protect the environment;
15. Recalls that the 15 % tax rate is an absolute minimum and encourages Member States to go further and adopt a higher tax rate to avoid a race to the bottom with a harmonisation of tax rates at 15 %; notes that it can only help to reach a more ambitious multilateral agreements in the future;
16. Stresses that in a scenario in which the USA blocks the international agreement by not implementing a legislative act, the Multilateral Convention (MLC) that provides for the removal and standstill of all digital services taxes and other relevant similar measures until 31 December 2023 will no longer be feasible and should then be revoked;
17. Stresses the legitimacy of the adoption by Member States of measures to defend their tax bases such as the non-deductibility of costs, withholding tax measures, limitation of participation exemption and special documentation requirements, especially on transfer

pricing;

18. Stresses that recent studies have shown that the Interest and Royalties Directive (IRD) and Parent-Subsidiary Directive allow Member States to circulate untaxed flows of passive income to reach third country jurisdictions with low or zero taxes; stresses, furthermore, that both directives can incentivise companies to create holding structures in under-taxed Member States in order to benefit from withholding tax exemptions; calls on Commission to reset the review of the IRD, which is blocked in the Council.

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19. Instructs its President to forward this resolution to the Council and the Commission, and to the governments and parliaments of the Member States.