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DRAFT REPORT

on the impact of new technologies on taxation: crypto and blockchain (2021/2201(INI))

Committee on Economic and Monetary Affairs

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PR_INI

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the impact of new technologies on taxation: crypto and blockchain (2021/2201(INI))

The European Parliament,

– having regard to the Commission communication on 15 July 2020 entitled ‘An action plan for fair and simple taxation supporting the recovery strategy’ (COM(2020)0312),

– having regard to the Commission proposal for a regulation of the European Parliament and of the Council on markets in crypto-assets of 24 September 2020 (COM/2020/0593),

– having regard to the Commission communication of 24 September 2020 on a digital finance strategy for the EU (COM(2020)0591),

– having regard to the report of the Organisation for Economic Co-operation and Development of 12 October 2020 entitled ‘Taxing Virtual Currencies: An Overview of Tax Treatments and Emerging Tax Policy Issues’,

– having regard to the Commission communication of 18 May 2021 entitled ‘Business Taxation for the 21st Century’ (COM(2021)0251),

– having regard to the 2021 working paper on taxation and structural reforms by the Joint Research Centre of the Commission entitled ‘Cryptocurrencies: an empirical view from a tax perspective’,

– having regard to the Commission proposal for a regulation of the European Parliament and of the Council on information accompanying transfers of funds and certain crypto-assets of 20 July 2021 (COM/2021/422),

– having regard to the World Bank’s working paper entitled ‘Crypto-Assets Activity around the World: Evolution and Macro-Financial Drivers’ published on 8 March 2022,

– having regard to its study of 15 October 2018 entitled ‘VAT fraud: economic impact, challenges and policy issues’, its study of July 2018 entitled ‘Cryptocurrencies and blockchain – Legal context and implications for financial crime, money laundering and tax evasion’ and its study of 15 February 2018 entitled ‘Impact of Digitalisation on International Tax Matters’,

– having regard to its study of 21 October 2021 entitled ‘Exploring the opportunities and challenges of new technologies for EU tax administration and policy’,

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs

(A9-0000/2022),

A. whereas the use of new technologies in the EU single market and the digitalisation of tax administrations across Europe is transforming relations between citizens and companies, as taxpayers, along with national tax authorities, are facilitating better compliance;

B. whereas tax authorities face many challenges nowadays regarding effective cross-border cooperation, given the acceleration of digital transactions, the increasing mobility of taxpayers, the number of cross-border transactions and the internationalisation of economic operations and business models;

C. whereas tax authorities need to keep up with potential risks for the sustainability of tax systems and their ability to enforce national and European legal frameworks regarding taxation;

D. whereas new technological solutions, such as blockchain, can be used by tax administrations to better serve the needs of tax payers while such technologies can also be abused and serve as a vehicle for illicit activities, with the criminal intent to avoid paying taxes;

E. whereas tax administrations across Europe, within different degrees, are taking important steps towards the digitalisation of processes, making tax compliance easier, faster and more effective; whereas the use of new technologies is significantly different between Member States; whereas national tax administrations, in general, need a further push to realise the potential in the field of technological and digital transformation;

F. whereas the increasing use of crypto-assets is forcing tax administrations to adapt current taxing practices within the single market;

G. whereas there is an international effort and commitment to better regulate the fair taxation of the digital economy; whereas, in this context, it is crucial that the EU take a leading role, namely on strong cooperation between Member States to tax, in a fair and transparent way, crypto-assets;

H. whereas the Union has already taken important steps towards a clear definition of crypto-assets and this definition must facilitate the fair and simple taxation of these assets; and whereas definitions of such crypto-assets must be highly aligned with international standards, namely with the Financial Action Task Force;

I. whereas tax policy is a national competence, but strong cooperation between Member States is essential to respond to the challenges posed to the integrity of the single market, namely by the increasing the use of crypto-assets; whereas a framework of 27 significantly different approaches to crypto-assets taxation could lead to significant obstacles for the fulfilment of the objectives of the European digital single market;

J. whereas the European Union and its single market must ensure an innovation-friendly environment for companies (namely small and medium-sized enterprises (SMEs) and start-ups) regarding new technologies in the area of financial services and crypto-assets; whereas this main goal requires a strong commitment from Member States with policies, namely on taxation, that ensure a stable, clear and certain legal framework for businesses to thrive and contribute to economic growth; whereas, finally, this effort requires strong commitment to safeguard citizens' rights, as taxpayers and consumers of financial services;

The potential of new technologies – such as blockchain – to better serve taxpayers, empower tax administrations and tackle tax fraud and evasion

1. Considers that national tax administrations should be better equipped with the adequate resources to better serve taxpayers and ensure compliance and that, in the context of digital transition, this means proper commitment from Member States with investment in human resources training, digital infrastructures and specialised personnel and equipment;

2. Points out that adapting the IT capacities of tax authorities through new emerging technologies, such as potential distributed ledger technologies like blockchain or artificial intelligence, promises to foster intelligent, effective and efficient tax and administrative procedures, facilitate tax compliance by citizens and businesses, and increase the traceability and identification of taxable transactions in a globalised environment where cross-border transactions have increased;

3. Highlights the need to identify the best ways to use technology to strengthen the analytical capacity of tax administrations (through better data analysis), to standardise data to reduce administrative burdens on SMEs, to ensure that taxation better reflects the business environment in the digital age and at the same time guarantees high levels of data protection;

4. Calls on the Commission to promote an assessment of the different national policies regarding the combat against tax fraud and evasion in the field of crypto-assets, underlining best practices and potential loopholes, and taking advantage of cooperation platforms in the field of taxation, namely the Fiscalis programme;

5. Invites the Commission to evaluate the creation of a new platform for training and best-practice sharing between national tax authorities in the field of combat against tax fraud and evasion in the digital economy, notably the use of crypto-assets; understands that this new platform could be integrated in current initiatives, such the Fiscalis programme;

6. Invites the Commission to continue evaluating the operational impact and tax governance aspects of blockchain technology, notably through the Fiscalis programme;

Taxation challenges regarding crypto-assets

7. Considers that crypto-assets must be subject to fair, transparent and effective taxation, in order to guarantee fair competition between businesses in the area of financial services; understands that decisions on the taxation of crypto-assets lie with Member States, according to the Treaties; stands for an innovation-friendly environment in the digital single market, where entrepreneurs, SMEs and start-ups can thrive, generate growth, create jobs and contribute to economic recovery through tax revenues;

8. Acknowledges that the definition of the tax base for crypto-assets is one of the core issues for tax policy; notes that there is currently no internationally-agreed standard definition of crypto-assets and types of assets to be included; understands the need for such a definition as a main priority in the European legislative framework in order to guarantee a leading position for the Union at international level;

9. Notes that each country tends to use their own terminology when designing their national regulatory solutions to crypto-assets, which could cause legal uncertainty for citizens and companies, at the same time emerge as a threat to the integrity of the European single market;

10. Emphasises that the rapid growth of crypto-assets[1] refers to the key question of the type of taxation to be applied, when a taxable event happens, and its valuation;

11. Points out that the taxation of crypto-assets in cross-border situations is linked to several dimensions of tax policy and that such dimensions are distributed between national and European competences, but the benefit of a European approach is concentrated in instruments linked to administrative cooperation and corporate taxation;

12. Calls on the Commission to consider the dimension of crypto-assets in the planned proposals for corporate taxation legal instruments, namely the Business in Europe: Framework for Income Taxation;

13. Calls on the Member States to consider the dimension of crypto-assets in their national tax reforms, and to consider implementing more effective systems that ensure less compliance costs and administrative burden, but that guarantee, at the same time, the fair, transparent and effective taxation of crypto-assets; underlines the role of tax incentives and exemptions in promoting technological innovation and development;

Moving forward with the development of an effective regulatory/legal framework

14. Points out that the crypto-asset landscape is global and requires an international approach; understands, in this regard, the need to further negotiate international instruments on the matter;

15. Recalls that a fully integrated European single market requires a common approach on the taxation of crypto-assets, respecting competences defined by the Treaties; therefore calls on the Council, in its Economic and Financial Affairs Council formation, to initiate a structured dialogue with Parliament on this matter; calls also on the President of the Eurogroup to put forward a debate on the taxation of crypto-assets with the Finance Ministers of the Euro Area;

16. Believes that it is necessary to amend the scope of the Directive on Administrative Cooperation[2] (DAC8) so that European legislators can further assess if other categories of income and assets such as crypto-assets are to be included;

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[1] The economic size of the cryptocurrencies market was valued at EUR 2.2 trillion in May 2021, with a peak of EUR 2.5 trillion in October 2021 (Joint Research Centre of the Commission, 2021).

[2] Council Directive 2011/16/EU of 15 February 2011 on administrative cooperation in the field of taxation, OJ L 64, 11.3.2011, p. 1.

17. Calls on the Commission and national public authorities to ensure that blockchain technology develops in compliance with the rules on the processing of personal data, on cybersecurity and on anti-money laundering/combating the financing of terrorism;

18. Encourages the Commission to take account of existing digital solutions, legal provisions and administrative guidance used in Member States in order to assess how to leverage blockchain technologies and to prevent tax fraud and avoidance; supports the development of a European blockchain services infrastructure;

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19. Instructs its President to forward this resolution to the Council and the Commission.