EUROPEAN PARLIAMENT 2009 - 2014

Committee on International Trade

2010/2102(INI)

3.12.2010

OPINION

of the Committee on International Trade

for the Committee on Development

on tax and development: cooperating with developing countries on promoting good governance in tax matters
(2010/2102(INI))

Rapporteur: Marielle De Sarnez

SUGGESTIONS

The Committee on International Trade calls on the Committee on Development, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Recalls that the objective of expanding trade with the developing countries must be to promote the sustainable economic growth and the development of these countries; notes that the abolition of customs duties will inevitably entail a loss of customs revenue and must therefore be subject to tighter supervision, be more gradual and go hand in hand with the implementation of tax reforms which harness alternative forms of revenue to make up the shortfall (VAT, property tax, income tax);

2. Calls for the systematic implementation, in the framework of Economic Partnership Agreements (EPAs), of measures to support tax reforms, in the form of both material assistance (IT systems) and organisational assistance (legal and tax training for tax authority staff), if requested by a developing country; emphasises the need to make a special effort with African countries, which still do not receive long-term assistance on taxation matters;

3. Reaffirms the need to enhance the degree of coherence between the European Union’s development policy and its trade policy; recalls that while the crisis may have exacerbated the volatility of commodity prices and caused a decrease in capital flows to developing countries, the European Union as a whole, including its Member States, remains the leading development aid donor, accounting for 56% of the worldwide total, worth €49 billion in 2009; stresses that, in this context, it ought to be a priority for developing countries to put in place an efficient tax system so as to reduce their dependence on foreign aid and other, unpredictable external financial flows;

4. Stresses that tax revenue must not be regarded as an alternative to foreign aid, but rather as an integral part of public revenue facilitating these countries’ development;

5. Points out that tax evasion represents a considerable financial loss for developing countries, and that measures to combat tax havens and tax evasion are one of the priorities for the EU with a view to providing developing countries with effective help in gaining access to their tax revenues; recalls the need to take the appropriate measures in that respect at European and international level, in accordance with the commitments given, in particular, by the G20;

6. Considers it necessary for the OECD to draw up new guidelines on transfer pricing, an essential way of preventing certain multinationals from transferring their profits to the countries with the most favourable tax regimes and ensuring that they pay their taxes in the countries – including developing countries – where they have actually generated their profits;

7. Considers that a system of low-rate taxation of low and medium incomes founded on a broader tax base and excluding all discretionary tax exemptions and preferences, including for the extractive industries, is indispensable; emphasises the need for public investment in projects with a positive local impact in economic, social and environmental

terms, whilst not creating any opportunities for any form of fiscal dumping;

8. Considers that the development of an efficient tax system in developing countries must become the backbone of their public finances; considers that the new EU investment policy in developing countries should contribute to establishing an environment more favourable to foreign and domestic private investment and to creating the conditions for more effective international assistance; recalls that the EU's investment policy must focus on SME development, including through the provision of micro-credit, and encourage innovation, public service efficiency, public-private partnerships and knowledge transfer in order to promote growth;

9. Recalls that, while the positive impact of EPAs will be felt only in the medium to long term, losses of revenue are an immediate consequence of reductions in customs tariffs;

10. Calls for the creation, in the EPA framework, of an independent monitoring mechanism to assess the net tax impact of abolishing customs duties and, at the same time, the progress being made in the area of tax reform country by country; calls for a clause to be introduced providing for a mandatory overall review of all EPAs within three to five years and for the provisions of each agreement to be amended to make them more conducive to poverty eradication, sustainable development and regional integration; calls, further, for a mandatory review of individual countries' progress in implementing tax reforms or efficient tax collection in line with the latest versions of the OECD Model Tax Convention on Income and on Capital.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	1.12.2010
Result of final vote	+: 22 –: 4 0: 0
Members present for the final vote	William (The Earl of) Dartmouth, Laima Liucija Andrikienė, David Campbell Bannerman, Harlem Désir, Christofer Fjellner, Joe Higgins, Yannick Jadot, Metin Kazak, Bernd Lange, David Martin, Vital Moreira, Godelieve Quisthoudt-Rowohl, Tokia Saïfi, Helmut Scholz, Peter Šťastný, Robert Sturdy, Keith Taylor, Paweł Zalewski
Substitute(s) present for the final vote	George Sabin Cutaş, Małgorzata Handzlik, Salvatore Iacolino, Syed Kamall, Maria Eleni Koppa, Jörg Leichtfried, Carl Schlyter, Michael Theurer, Jarosław Leszek Wałęsa
Substitute(s) under Rule 187(2) present for the final vote	Pablo Arias Echeverría, Markus Pieper, Giommaria Uggias