

P7_TA(2013)0206

Annual tax report: how to free the EU potential for economic growth

European Parliament resolution of 21 May 2013 on the Annual Tax Report: how to free the EU potential for economic growth (2013/2025(INI))

The European Parliament,

- having regard to Article 3 of the Treaty on European Union (TEU) and Articles 26, 110-115 and 120 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to the Commission proposal for a Council Directive amending Directive 2003/48/EC on taxation of savings income in the form of interest payments (COM(2008)0727),
- having regard to the Commission proposal for a Council Decision authorising enhanced cooperation in the area of financial transaction tax (COM(2012)0631),
- having regard to the Commission proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB) (COM(2011)0121),
- having regard to the Commission proposal for a Council Directive amending Directive 2003/96/EC restructuring the Community framework for the taxation of energy products and electricity (COM(2011)0169),
- having regard to its position of 11 September 2012 on corporate taxation: common system of taxation applicable to interest and royalty payments (recast)¹,
- having regard to the Commission Communication of 27 June 2012 on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries (COM(2012)0351),
- having regard to the Commission Communication of 6 December 2012 on An Action Plan to strengthen the fight against tax fraud and tax evasion (COM(2012)0722),
- having regard to the Commission recommendation of 6 December 2012 on aggressive tax planning (C(2012)8806),
- having regard to the Commission recommendation of 6 December 2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805),
- having regard to the Commission Communication of 14 December 2012 on strengthening the Single Market by removing cross-border tax obstacles for passenger cars (COM(2012)0756),

¹ Texts adopted, P7_TA(2012)0318.

- having regard to the Commission proposal for a regulation establishing an action programme for taxation in the European Union for the period 2014-2020 (Fiscalis 2020) (COM(2012)0465),
- having regard to the Commission report on public finances in EMU (European Economy no. 4/2012),
- having regard to its resolution of 16 January 2013 on public finances in EMU - 2011 and 2012¹,
- having regard to the Commission report on tax reforms in the EU Member States (European Economy no. 6/2012),
- having regard to ‘OECD’s Current Tax agenda 2012’²,
- having regard to the OECD report on “Addressing Base Erosion and Profit Shifting”³,
- having regard to the Deutsche Bank paper of 5 October 2012 on the impact of tax systems on economic growth in Europe⁴,
- having regard to the EU 2020 strategy (COM(2010)2020),
- having regard to the ECOFIN Council conclusions of 10 July 2012⁵,
- having regard to the Commission Annual Growth Survey for 2013 (COM(2012)0750),
- having regard to the conclusions of the Council of 12 February 2013 on the Alert Mechanism Report 2013⁶,
- having regard to the Conclusions of the European Councils of 29 June, 19 October and 14 December 2012,
- having regard to the final Statement of the G20 Meeting of Finance Ministers and Central Bank Governors in Moscow, 15-16 February 2013⁷,
- having regard to the working programme of the Irish Presidency of the Council,
- having regard to Rule 48 of its Rules of Procedure,
- having regard to the report of the Committee on Economic and Monetary Affairs (A7-0154/2013),

¹ Texts adopted, P7_TA(2013)0011.

² <http://www.oecd.org/ctp/OECDCurrentTaxAgenda2012.pdf>

³ <http://www.oecd.org/ctp/beps.htm>

⁴ http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000295266.pdf

⁵ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/131662.pdf

⁶ http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/ecofin/135430.pdf

⁷ <http://www.g20.org/news/20130216/781212902.html>

- A. whereas the EU economies – in many cases due to the weak focus in the current policy mix on investment, competitiveness, employment and fair and efficient taxation – have a modest to negative outlook for economic growth and employment in the near future; whereas the euro area as a whole is experiencing a double-dip recession;
- B. whereas since the outbreak of the recent debt crisis, the structure of tax revenues has quite significantly changed in a number of Member States, and the related structural and cyclical effects of this modification are hard to distinguish; whereas, in developing tax policy, the principles of subsidiarity and multi-level governance should be fully taken into account, in line with relevant legislation of the Member States;
- C. whereas, because of the crisis which has revealed the structural weaknesses of some EU economies, and which continues to harm the potential for economic growth in the EU, the Member States are facing the difficult challenge of having to balance their budgets while at the same time promoting economic growth and jobs;
- D. whereas, since the turn of the millennium, a trend can be observed in the EU towards the development of a more growth-oriented tax system;
- E. whereas tax systems in the EU shall be oriented to be business friendly in order to enhance their capacity to create growth and jobs;
- F. whereas in an environment of slow growth and recession, late devolution of anticipated tax payments create additional liquidity problems for corporations;
- G. whereas the impact of the crisis should be diminished with a tax policy that is compatible with the aims of the EU 2020 strategy, which should be a priority;
- H. whereas the need to restore the credibility of budgetary policies, and to reduce the sovereign debt of Member States, makes it necessary to modify budget expenses, swiftly implement growth-friendly structural reforms, improve methods of tax collection and modify some taxes, ensuring that priority, where appropriate, is given to those taxes that are levied on capital, environmentally harmful activities and some types of consumption rather than to those levied on labour;
- I. whereas smart and active policy development in the field of environmental taxation is key to implementing the polluter pays principles, enhancing growth and making growth prospects sustainable;

General considerations

- 1. Notes that taxation policy still remains a national competence and that the different tax systems of the Member States have therefore to be respected; notes that the transfer of competences in the area of taxation from the national to the Union level requires a change in the Treaty, which in turn requires the unanimous agreement of all Member States; notes also, however, that this does not exclude the effective coordination of tax arrangements at European level; underlines that in developing tax policy, the principles of subsidiarity and multi-level governance should be fully taken into account, in line with relevant legislation of the Member States;

2. Notes that the optimal design of tax systems depend on numerous factors and differ therefore from country to country; stresses that proper planning and adjustment of tax policies in the short-, medium-, and long term are indispensable;
3. Underlines the improvements made in the field of tax policy coordination, but points out that EU citizens and enterprises engaged in cross-border activities still face considerable costs, administrative burdens and legal gaps which need to be eradicated as soon as possible in order to enable them to grasp the full benefits of the single market;
4. Notes that fair and healthy competition between different tax systems in the Single Market has stimulating effects on the European economies; stresses, on the other hand, that harmful tax competition has a detrimental economic impact; having regard to the OECD report on “Addressing Base Erosion and Profit Shifting”, underlines that functional institutions based on a sound and fair legal and administrative framework are crucial;
5. Notes that besides ensuring compliance with the sustainable fiscal policies, in order to achieve economic balance it is necessary to implement growth-conducive measures such as fighting tax fraud and evasion, shifting taxation towards more growth-friendly tax areas and providing viable tax stimulus for both self-employed persons and small and medium-sized enterprises (SMEs), especially with the aim of promoting innovation and R&D activities;
6. Emphasises that it is in the interest of enterprises and citizens to have a clear, predictable, stable and transparent tax environment within the Single Market, as a lack of transparency on tax rules is an obstacle to cross-border activities and domestic foreign investments in the EU; suggests that more and better information should be made available for individuals and enterprises with respect to the taxation rules, requirements and regulations in every Member State;
7. Recommends that Member States proceed carefully when altering existing taxes and introducing new taxes, ensuring that this is done in a growth-friendly way and that citizens and the business sector have sufficient time and adequate means to prepare themselves before the new fiscal measures enter into force;
8. Is concerned about the effects that the shift in many Member States towards a more extensive taxation of consumption could have on social inequalities; calls on the Member States to be attentive to this potential problem and to study carefully the negative implications of eroding the progressivity of the tax system as a whole; believes that there should be a certain degree of flexibility in the VAT system, where – in duly justified cases as foreseen by the Directive on Common system of value added tax, relating to for example culture or basic needs – some product categories could be taxed at rates below the standard rate;
9. Understands that in order to make the EU budget a useful instrument to enhance growth, own resources are necessary in order to have more autonomy for the Commission in its proposals;

Identifying hidden resources that could contribute to economic growth through taxation policy

10. Notes that economic development depends on such factors as labour, capital, technological progress, resource efficiency and productivity, and that taxation policy should pay careful

attention to these factors in the short, medium and long term; stresses, therefore, the importance of concerted decision-making to this aim;

11. Notes that taxation policy should be designed with the aim of strengthening the economy, inter alia by building tax structures that stimulate aggregated demand in a long term, facilitate export-oriented activities, stimulate job creation and promote sustainable development;
12. Assumes that tax increases in certain domains, such as excise duties, could have some positive effects by channelling additional resources, and thus be beneficial to the citizens and the real economy;
13. Stresses that providing tax incentives for research and development is likely to yield long-term benefits, such as growth and job creation in knowledge-driven economies, in particular if part of a balanced overall taxation strategy; considers that this should be taken into account at the European and national levels;
14. Acknowledges that broadening already existing tax bases, rather than increasing tax rates or introducing new taxes, could generate further incomes for the Member States;
15. Recalls that tax cuts should be based on a solid and responsibly planned fiscal policy, where the sustainability of public finances is in no way put in danger, and accompanied by measures aimed at increasing competitiveness, growth and employment;
16. Considers that there is a need to create, on the basis of a thorough analysis, an EU-wide tax information system serving not to harmonise the different national tax structures, but to facilitate their coordination in a continuous and transparent manner, keeping track of the cuts and increases made within each structure;
17. Notes that for the functioning of such a system, the framework of the European Semester would be a good basis, since – in tandem with other specific macroeconomic measures – it could keep good record of the various tax policies of the different Member States, taking fully into account the general economic forecast as well as the fundamentals and future perspectives of the Member States concerned and common European objectives; in light of this, encourages the Commission and the Member States to integrate a strategy aimed at reducing the tax gap into the European Semester;
18. Notes the enhanced cooperation on the Financial Transaction Tax (FTT) to be implemented in 11 Member States, together representing two thirds of EU GDP;
19. Emphasises that in countries where labour costs are high relative to productivity, and where the creation of jobs is therefore hindered, possible taxation measures to reduce these costs and/or increase productivity could be examined while making determined efforts aimed at increasing productivity; underlines that tax reforms must serve to promote labour market participation in order to increase labour supply and promote inclusiveness; stresses, in this context, that the rights of workers and roles of social partners should always be fully respected;
20. Welcomes the Commission's initiative regarding the elaboration of a single guide for the calculation of corporate taxes; calls on the Member States to agree on and start

implementing the Common Consolidated Corporate Tax Base (CCCTB); underlines that Parliament's position should be used as a key point of reference in this regard;

21. Underlines that there is a substantial growth potential in reducing and removing tax-related impediments to cross-border activities in the single market; stresses that the revision of the VAT Directive, the work on the CCCTB and the development of administrative cooperation in the area of taxation are crucial factors in making full use of that potential;
22. Calls on the Commission to take immediate action with regard to strengthening transparency and regulation in respect of company registries and registers of trusts and foundations;
23. Calls on the Member States to give their full support to the Commission initiatives, in collaboration with national tax authorities, aimed at suppressing fiscal obstacles related to cross-border activities in order to improve further coordination and cooperation in this field; encourages the Member States to exploit the full potential of the Fiscalis and Customs programmes; calls on the Commission to identify additional areas where EU legislation and Member State administrative cooperation could be improved in order to reduce tax fraud and aggressive tax planning;
24. Calls on the Member States to be very careful in an environment of slow growth or recession and to avoid late devolution of anticipated tax reimbursements as this could create additional liquidity problems, particularly for SMEs;

Fighting tax fraud and evasion and abolishing double taxation, double non-taxation and discriminatory measures against EU enterprises

25. Calls on the Member States to improve substantially their tax surveillance, control and collection capacity, thereby generating additional resources to promote growth and jobs as laid down in the EU 2020 strategy; underlines that national best practices in making tax administration more efficient should be compiled in a transparent manner – preferably in a European code of best practice within the EU-wide tax information system – and carefully taken into account; is concerned by the tendency in a number of Member States to cut staff and other resources at tax authorities and similar bodies; stresses that this could weaken the ability to provide fair and efficient service to enterprises and individuals and to counter tax fraud and tax evasion; in light of this, urges the Member States to allocate adequate financial and human resources to their national tax administrations and tax audit staff;
26. Calls on the Member States to improve their administrative cooperation in the area of direct taxation;
27. Calls again on the Commission to provide more budgetary resources and staff to DG TAXUD to help it develop EU policies and proposals concerning double non-taxation, tax evasion and fraud;
28. Welcomes the Commission's Communication entitled "An Action Plan to strengthen the fight against tax fraud and tax evasion" as well as its recommendations on "measures intended to encourage third countries to apply minimum standards of good governance in tax matters" and "aggressive tax planning";

29. Calls on the Member States to work actively in line with the Commission's Communication and recommendations by taking coordinated and determined EU action against tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens, thereby guaranteeing a fairer distribution of the fiscal effort and increased tax revenues; urges the Member States to swiftly implement, among the many specific measures to be taken in this context, the Commission proposals for the introduction of a General Anti-Abuse Rule to counteract aggressive tax planning practices and for the inclusion of a clause in their respective double taxation conventions to prevent occurrences of double non-taxation;
 30. Notes that an estimated EUR 1 trillion in public revenue is lost every year in the EU because of tax fraud and tax avoidance; calls on the Member States to take the measures needed to at least halve the tax gap by 2020;
 31. Stresses that reduced levels of fraud and evasion would strengthen the growth potential in the economy by making public finances healthier – which would increase the public funds available for fostering investment and enhancing the European social market economy – and by making enterprises compete on level playing field;
 32. Urges the Member States to engage in serious negotiations and complete the procedures for all pending legislative proposals regarding issues of tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens; calls, inter alia, on the Member States to conclude the process of reviewing and extending the scope of the Savings Taxation Directive and, following the report from Parliament, to adopt and implement without delay the Commission's proposal for a Quick Reaction Mechanism against VAT fraud;
 33. Welcomes the intensified international work in the field of corporate taxation aimed at addressing base erosion and profit shifting; finds the OECD report on this theme to be a crucial contribution, and looks forward to the follow-up action plan to be presented this summer; expects the G-20 finance ministers, having endorsed the report at their recent meeting in Moscow, to take bold and collective action on the basis of that action plan;
 34. Underlines, in line with solid Commission observations, that environmental taxes are among the most growth-friendly in relative terms; stresses that environmental taxes, in addition to generating revenues, should be used consistently and dynamically in order to keep economic developments on a sustainable path; calls on the Commission to come forward with a comprehensive assessment of existing internalisation gaps, followed by appropriate legislative proposals;
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35. Instructs its President to forward this resolution to the Council, the Commission and to the national parliaments.