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Press release | 27.02.2019

European Parliament united on urgent need for stronger tax policies, demands that Member States stop blocking tax reforms

Tax justice

The European Parliament special committee on taxation (TAX 3) just voted on its final report, which calls for EU Member States to match the ambition of the European Parliament on tackling tax evasion, avoidance and money laundering.

TAX3 is the third specific special committee on taxation and has continued the work of the previous committees including the PANA inquiry committee, and laments the lack of progress on the fight against tax avoidance and evasion by EU Member States, despite numerous tax scandals of the last few years. The committee voted for a permanent sub-committee on tax issues to be established in the next European Parliament.

Molly Scott Cato, Greens/EFA member of the TAX 3 committee comments:

"After Lux Leaks, the Greens/EFA group were alone in calling for action on tax. I remember shortly after the last election going from office to office trying to persuade my colleagues to support the Greens/EFA proposal for the European Parliament's first ever tax inquiry committee. Four years on we have a wide coalition for greater tax cooperation within the Union and for member states to take this issue seriously. As a Parliament, we now agree that after so many tax scandals, the political scandal is that EU Member States have failed to take action on tax avoidance and evasion.

"I welcome the requirement in the Report for the purchasers of golden visas to be made public. It is also welcome that our proposal to require automatic exchange of information within the EU to be extended to more types of financial instruments such as pension funds and crypto-currencies. The report includes our proposal that the ultimate beneficial owners of companies cannot hide behind strawmen.

"Across Europe the social contract is broken and ensuring that the rich and powerful pay a fair share of tax is an essential building-block for a social contract fit for a globalised world economy and vital for rebuilding citizens' trust in democracy. We need to build on this momentum in the Parliament and take the fight to the national capitals where we can truly change the rules around tax."

Sven Giegold, Greens/EFA economic affairs spokesperson comments:

"There is a clear lack of political will on the side of the EU member states to fight tax injustice. This report clearly shows that we need much more action on anti-money laundering and transparency around corporate taxation. There was broad support in the committee for public country-by-country reporting for all sectors, despite the fact that the German government and some EU tax havens are still blocking this measure by the Commission.

"EU countries need to agree on minimum tax rates to stop the race to the bottom on taxation. It is highly regrettable that the EPP, Conservatives and Liberals together have prevented a clear call for minimum tax rates for large companies within the EU. Europe should use international treaty negotiations with the US and Switzerland to achieve more tax justice and strengthen the fight against financial crimes. Tax justice should become a procurement criteria in the EU's procurement directive.

"The job of the tax committee is not done yet. We need a permanent sub-committee on tax and financial crimes to give tax injustice the political attention it deserves. We can never achieve real justice, equality or truly tackle the challenges of climate change and poverty unless we fix the global tax system. The European Parliament is proving it is on the side of citizens, and EU governments must deliver on the proposals we put forward today."

Main points from the report:

- The report criticises the Member States and the Council for not delivering on tax legislation that is key to fight tax avoidance and tax evasion and their lack of political will to take substantial steps in the fight against money laundering, tax fraud, tax evasion and aggressive tax planning or to comply with the Treaty and the principle of sincere cooperation.
- The report calls on the Commission to clarify on the existing rules, or propose an update of EU public procurement directive, if necessary, that would allow for tax related considerations in the exclusion or selection criteria for public procurement.
- The report calls on the European Commission to propose changes in the current EU law that would enable to ban letterbox companies even if resident in EU Member States.
- The report calls on Member States to phase out all existing CBI or RBI schemes (golden visas) as soon as possible.
- Calls on the Commission to assess decreasing nominal tax rates and its impact on ETRs in the EU and to propose remedies within the EU and towards third countries.
- The report calls for better cooperation between Member States regarding the control of capital entering the Union from Russia.
- The report calls on the Council to give a mandate to the Commission to negotiate an agreement with the US to ensure reciprocity in the Foreign Account Tax Compliance Act (FATCA) and calls on the Commission and Council to consider countermeasures, such as a withholding tax, where appropriate, to ensure a level-playing field if the US does not ensure reciprocity in the framework of FATCA.
- The report calls on the Commission to ensure that the final agreement between the EU and Switzerland on the revision of the bilateral approach to reciprocal market access contains a tax good governance clause including specific rules on state aid, automatic exchange of information on taxation, public access to beneficial ownership information, where appropriate, and anti-money laundering provisions.
- The report supports a permanent structure within Parliament in the form of a subcommittee to the Committee on Economic and Monetary Affairs (ECON) allowing for cross-committee participation.
- The report call on the Commission to assess whether a regulation would be a more appropriate legal act than an AML directive; calls, in this context, for a swift transformation into a regulation of the AML legislation if the impact assessment so advises.

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Responsible MEPs

Sven Giegold

Member

Molly Scott Cato

Vice-President

Contact person

Alex Johnson

Press & Media Advisor EN (English language press)

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