



The Greens | European Free Alliance
in the European Parliament

The Irish presidency and the EU taxation policy challenge

A call to action

The European Commission estimates that 'legitimate' **tax avoidance and dumping deprives exchequers in EU member states of €1 trillion in revenue per year**. That means €1 trillion, which would otherwise be available to reduce the public debt or to invest in economic revival, is being lost to EU citizens. The failure to address this problem in the context of the current economic crisis is hard to grasp, all the more so in a context where even the IMF has now accepted that the exclusive preoccupation with austerity and contraction in public spending has not succeeded and has exacerbated the problems in crisis countries, with a negative impact on standards of living.

While the EU's internal market has removed national boundaries for companies, taxation systems have remained under national control. Whether through non-existent regulation or major loopholes in EU rules, this situation has created the scope for the massive scale non-illegal tax avoidance estimated by the Commission.

The role of the Ireland in facilitating large multinationals to avoid their tax responsibilities for economic activities carried out across the EU has been well documented. However, **Ireland now has a unique opportunity at the helm of the European Union to set the record straight. This means proactively leading moves to reform EU rules on taxation**, with a view to eliminating the loopholes that allow tax avoidance and dumping to take place. Unfortunately the programme of the Irish presidency of the EU Council does not prioritise this urgent matter. The Greens have called for a European tax pact, which would include measures to strengthen government revenues so that not only the weakest members of society have to share the burden for complying with the European fiscal pact. We call on the Irish EU presidency to lead the way in making this complementary tax pact a reality rather than making vague statements about progressing issues that are already on the agenda.

Harmonising corporate taxation: At present, transnational companies can and do channel their profits between European subsidiaries of their corporate group to tax regimes with more limited bases and lower rates to reduce their tax responsibilities. Finally introducing a mandatory EU common consolidated corporate tax base (CCCTB) would be an important step to addressing this. It would provide greater transparency and ensure profits are treated the same way for taxation across the EU, also making it easier for responsible cross-border businesses to comply in different jurisdictions. This should be accompanied by a minimum EU corporate tax rate (of 25%) to eliminate the scope for tax dumping, whilst allowing for peripheral economies to remain competitive. This would also mean fair corporate taxation by ensuring big transnational firms comply with the same conditions as smaller firms. The goal should be to have all EU member states participating in this regime and to start with the broadest number of participants as possible.

Closing arbitrage loopholes: Together with harmonising corporate taxation, there is a need to close loopholes in existing EU rules, which facilitate the shifting of profits earned by corporations to other jurisdictions - either lower EU tax regimes or tax havens outside the EU - to avoid tax responsibilities.

Closing arbitrage loopholes implies setting minimum EU standards for bilateral double taxation treaties within the EU, whilst ensuring common European tax treaties with third countries. This will save corporations the bureaucratic burden of sifting through a myriad of double taxation treaties and will enhance the fight against tax havens, creating a common EU approach.

Other loopholes that need to be closed include the broad abolition of withholding taxes within the EU by the Parent-Subsidiary Directive and the Interest and Royalties Directive. These directives must be revised to include anti-abuse conditions. There is also a need to introduce cross-border minimum tax rates on dividends, interest and royalty payments between related entities of EU corporate groups. To make tax planning by companies transparent, there is a need for comprehensive country-by-country reporting by transnational corporations.

Fighting tax havens: Europe must work to end tax havens. To this end, there is a need to adopt a common European definition of tax havens and automatic sanctions for jurisdictions not complying with EU standards. This definition must include all low-tax regions within and outside the EU and become a starting point for recapturing provisions and limitations on entities in future financial market legislation. EU member states should follow France's lead and impose a tax penalty on corporate cash flows into tax havens.

In order to end individual tax evasion, there is a need for a comprehensive and automatic exchange of information. A thorough revision of the savings tax directive, along the lines of the stalled proposals from the Commission in 2008, including a framework for the geographical and substantial expansion of information exchange, is urgently needed. These proposals, which were delayed by recent German, UK and Austrian bilateral tax agreements with Switzerland, must now be fast-tracked.

We need a common EU approach to exert pressure on tax havens. This implies EU-imposed restrictions on the operations of banks that have repeatedly violated tax laws or have not met information requirements. We also need a European version of the US Foreign Account Tax Compliant Act (FATCA) requiring third country financial institutions to automatically provide EU tax administrations with information on EU taxpayers' earnings.

The fight against tax havens must also include a provision ensuring top earners in Europe do not evade their tax liability by shifting their domicile because they too have claimed benefit from the infrastructure of their country of citizenship.

Coordinating wealth taxes: Member states need to introduce coordinated wealth taxes which can make a significant contribution to reducing public debt. We need to achieve a better balance between public debt and private wealth.

Resource taxation: The wide variance in the taxation of natural resources across Europe has created major distortions in the EU's internal market and led to phenomena like fuel tourism and relocation due to differing tax jurisdictions. This is not only a blow to national exchequers, it is a blow to effective EU climate action. As a first step, the minimum rates of the Energy Tax Directive must be raised and exemptions removed.