



AN EU AGENDA FOR TAXATION

A photograph of Jean-Claude Juncker, the President of the European Commission, speaking. He is wearing glasses, a dark pinstriped suit jacket, a white shirt, and a patterned tie. He has his hands raised in a gesture while speaking. The background is blurred, showing other people in a large hall.

*“We need **more fairness** in our internal market. While recognising the competence of Member States for their taxation systems, we should step up our efforts to **combat tax evasion** and **tax fraud**, so that all contribute their fair share.”*

Jean-Claude Juncker, Political Guidelines, 15 July 2014

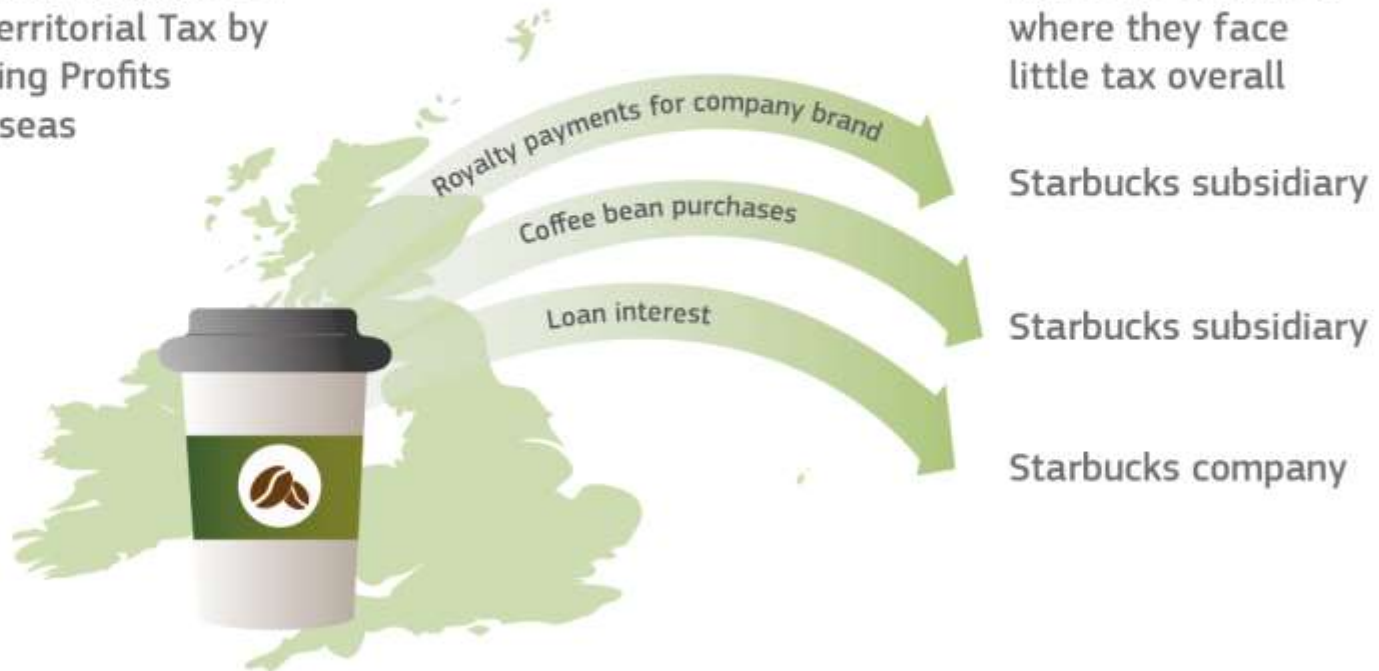


European
Commission

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COMPANIES REDUCE THEIR TAXABLE PROFIT THROUGH COMPLEX CROSS-BORDER OPERATIONS

Starbucks UK Avoids UK Territorial Tax by Shifting Profits Overseas



NB: Simplified version of the tax planning described in Edward D. Kleinbard's "Through a Latte, Darkly: Starbucks' Window into Stateless Income Planning", May 28, 2013
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BILLIONS IN LOST REVENUES FOR MEMBER STATES



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A SYSTEM TO BE REFORMED

Billions in lost revenues for Member States

- Outdated corporate taxation conceived in the 1930s
- Not adapted to the globalised, digital, mobile business environment
- Rigid - unanimity required for Member States on tax issues

- Hampering a functioning Internal Market for citizens and companies
- Competitive distortions for businesses that pay their fair share
- Legal uncertainty and administrative burden

An unacceptable situation undermining the European economic and social model

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TAX TRANSPARENCY: WHAT WILL CHANGE

PROPOSAL ON THE AUTOMATIC EXCHANGE OF INFORMATION ON TAX RULINGS



[Current framework]

Obligation: weak

Member States choose what information to send, when, and to whom

Discretion: some

Member States have discretion to assess whether their tax rulings are relevant for other Member States

When: discretionary

Information to be exchanged whenever rulings are issued

Scope: not clearly defined

Rulings are not defined



[Agreed Framework]

Obligation: strong

Member States must send information on all tax rulings to all other Member States

Discretion: none

Member States have no discretion to withhold information on tax rulings

When: regular reporting

Common framework sets strict timeline to share information

Scope: clearly defined

Definition of rulings on which exchange shall take place



TAX GOOD GOVERNANCE IN THE WORLD

COMMON EU APPROACH TO THIRD COUNTRIES WHICH DO NOT CONFORM TO TAX GOOD GOVERNANCE STANDARDS

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- **Pan-EU list of tax jurisdictions** published in June 2015
 - **List revised regularly** to reflect progress in tax matters in these jurisdictions
 - **Aim: encourage new dialogue** with third countries on Member States' tax good governance expectations
 - **Clear results: positive new contacts** with listed countries since publication

*“We have set out an ambitious yet realistic plan for fairer and more **growth-friendly** taxation in the EU. It rests on the core principle that all companies must pay a **fair share** of tax where real economic activity is taking place and **where their profits are actually made.**”*

Valdis Dombrovskis, 17 June 2015

*“Corporate taxation in the EU needs **radical reform**. In the interests of **growth, competitiveness and fairness**, Member States need to pull together and everyone must pay their fair share.”*

Pierre Moscovici, 17 June 2015

COMBATING UNFAIR TAX COMPETITION



STARBUCKS was paying an effective rate of **2.5 per cent** in the Netherlands, rather than the full Dutch corporate tax rate of **25 per cent**.

FIAT CHRYSLER FINANCE EUROPE was in effect paying a rate of about **1 per cent** in Luxembourg, rather than **29 per cent**.



*“We need a **full picture** of the tax rulings practices in the EU to identify if and where competition in the Single Market is being distorted through selective tax advantages. We will use the information to **combat tax avoidance** and **fight for fair tax competition.**”*

Margrethe Vestager, 17 December 2014

Commission européenne
European Commission



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Commission

GLOBAL ACTION TO TACKLE TAX AVOIDANCE AND EVASION

Pushing for action
at global level



OECD



G7



G20

Negotiating strong
EU tax agreements
with non-EU countries



SWITZERLAND



MONACO



SAN MARINO



LIECHTENSTEIN

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THE EU'S FIGHT AGAINST TAX AVOIDANCE & EVASION – HIGHLIGHTS



EU pioneers automatic exchange of information for savings income



EC launches Action Plan to combat tax fraud and evasion



EU negotiates stronger tax agreements with non-EU neighbours



EC opens 'tax rulings' investigations



EU agrees to widest automatic exchange of information for financial accounts



EC proposes automatic exchange of information on tax rulings



EU launches Action Plan on Corporate Taxation



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VALUE ADDED TAX: A SYSTEM TO BE REFORMED



- Simplified VAT rules on e-commerce ➔ helping e-commerce companies and start-ups
- Definitive VAT regime for the EU

"We need to **enhance fairness** in our taxation policies. This requires **greater transparency and equity**, for citizens and companies. We presented an Action Plan in June, the gist of which is the following: **the country where a company generates its profits must also be the country of taxation.**"

Jean-Claude Juncker, State of the Union 2015, 9 September 2015

THE PROJECT TEAM FOR A EU AGENDA FOR TAXATION



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