Annual tax report

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Olle SCHMIDT (ADLE, SE) on the Annual Tax Report.

For the first time the European Parliament decided to publish an Annual Tax report. The objective of the report is to feed in to the work of the Commission work programme for 2012.

The report focuses on the tax initiatives taken by the Commission during 2011 (such as on a Common Consolidated Corporate Tax Base, on a Financial Transaction Tax, on the future EU VAT system and on the field of energy) and on areas where further initiatives are necessary in order to improve the functioning of the Single market and to create a more competitive Europe.

The report also aims to address tax problems that EU citizens face in cross-border situations within the EU. This is the case for EU citizens working or investing in another EU Member State, who may encounter issues of double taxation and may have difficulties with obtaining allowances, tax reliefs or deductions from foreign tax authorities.

It also aims to examine areas where further tax coordination may be necessary and where the EU can play a role.

The committee notes that taxation is still a matter for national and in some cases local sovereignty and that **Treaty changes would be necessary in order for decision-making on tax policies to be transferred from the national to the EU level**. Under these circumstances, that an increase in scrutiny of budgetary procedures by the Commission should be mirrored by greater democratic scrutiny by the European Parliament.

The report makes certain recommendations on **preventing double non-taxation, tax fraud and tax havens and increasing tax transparency.** The main points are as follows:

- **some tax harmonisation** could be a key factor for encouraging growth and job creation. Tax policies must aim to foster European competitiveness and lower costs for European business, particularly Small and Medium-sized Enterprises;

- Member States should make their **tax systems more growth-friendly** by improving tax design and implementing shifts towards less distortionary taxes while safeguarding the social market objective;

- it is necessary to **simplify of VAT regimes** in order to eliminate double taxation and bureaucracy for employers;

- proposals from the Commission regarding taxation must contribute to European competitiveness by **eliminating distortions of competition** which arise from the various taxation systems in place; they must not contribute to increased tax burdens;

- in Member States with high deficits or which have suffered the worst decline in GDP growth, **tax reforms should prioritise closing loopholes and broadening the tax base, without affecting the capacity of Member States to collect revenue**;

- the Commission and Member States must **cooperate further** on their respective tax policies against double taxation, tax fraud and tax evasion;

- Member States should look to **reduce the tax compliance costs for SMEs**, where possible, by streamlining procedures and reducing bureaucratic costs;

- Member States should swiftly adopt the existing proposals and on the Commission to **put forward proposals in line with the proposals made by the European Parliament** on savings taxation, green and consumption taxation, avoidance of tax fraud, good governance and double taxation;

- a **coordination of tax policies** could be an important component of a fiscal consolidation strategy at EU level and improve the effectiveness of the Member States' new tax policies.

In order to **remove cross-border tax obstacles for EU citizens**, Members call upon the Commission to:

- share information about best practices in the EU Member States and in other OECD countries concerning tax information to citizens and businesses;

- propose ways of simplifying tax compliance in cross-border situations;

- more actively pursue complaints and ensure greater transparency and information for citizens on the results of complaints about Member States' tax laws and infringement cases in the tax field, as well as on their follow-up;

- reinforce administrative cooperation among Member States in the field of double taxation, including by concentrating more projects and resources of the Fiscalis programme on solutions to taxpayers' concrete problems.

Member States are asked to support the Commission's plans to improve the coordination and cooperation with and between Member States' tax administrations on appropriate solutions to prevent double taxation and other cross-border tax obstacles.

Stressing the need to remove discrimination and double taxation for EU citizens and businesses, the report welcomes the Commission's idea of setting up a working group on double taxation problems, involving tax authorities of Member States and, where appropriate, consumer associations. It calls on the Commission to initiate a new VAT forum, and to propose a binding dispute settlement mechanism covering double taxation suffered by individuals and businesses.

Member States are asked to:

- improve the procedures which allow Small and Medium-sized Enterprises to claim back more quickly VAT which they have paid, thus shortening the reimbursement period;

- modernise and update the rules on cross-border relief for companies and to simplify and modernise electronic invoicing rules with a view to ultimately creating a single 'European e-invoice template'.

Lastly, **in the area of tax fraud**, the report notes that there is a need to strike a proper balance between the public interest in combating abuse, avoiding disproportionate restrictions on cross-border activity

within the EU, and better coordinating the application of anti-abuse measures in relation to third countries. It regrets that some Member States have concluded agreements with third countries that permit the continuance of tax avoidance and tax secrecy.

Members ask Member States to **give top priority to combating the use of tax havens for illicit purposes** and calls on the Commission in cooperation with the European Parliament-taking into account, as a first step, the OECD definition and list of tax havens or secrecy jurisdictions -to establish an EU definition and list. It calls for a single European agreed definition, pending agreement on a definition at global level.