

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

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Ildikó GÁLL-PELCZ (EPP, HU) on the Annual Tax Report: how to free the EU potential for economic growth.

Whilst noting that taxation policy still remains a national competence, Members consider that this does not exclude **the effective coordination of tax arrangements at European level**.

Despite the improvements made in the field of tax policy coordination, 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.

**Sustainable fiscal policies:** in order to achieve economic balance Members feel it is necessary not only to ensure compliance with sustainable fiscal policies, but also 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. They consider it in the interest of enterprises and citizens to have a **clear, predictable, stable and transparent tax environment** within the Single Market.

The report recommends that Member States **proceed carefully when altering existing taxes** and introducing new taxes, ensuring that this is done in a growth-friendly way. Concerned about the effects that the shift in many Member States towards a **more extensive taxation of consumption** could have on social inequalities, Members suggest introducing a certain degree of flexibility in the VAT system, where some product categories such as culture or basic needs could be taxed at rates below the standard rate.

**EU-wide tax information system:** the report recommends as an eventual solution, the establishment of 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. Members consider that the framework of the **European Semester** would be a good basis for the functioning of such a system.

**Fighting tax fraud and evasion and abolishing double taxation:** noting that an estimated EUR 1 trillion in public revenue is lost every year in the EU because of tax fraud and tax avoidance, the report calls on Member States to take the measures needed to **at least halve the tax gap by 2020**.

Member States are asked to:

- improve substantially their **tax surveillance, control and collection capacity**;
- improve their **administrative cooperation** in the area of direct taxation;
- implement the Commission proposals for the introduction of a **General Anti-Abuse Rule** to counteract aggressive tax planning practices and include **a clause in their respective double taxation conventions** to prevent occurrences of double non-taxation;
- 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;

- 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](#).

Lastly, in line with solid Commission observations, the report underlines that environmental taxes are among the most growth-friendly in relative terms.