Fight against tax fraud, tax evasion and tax havens

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The Committee on Economic and Monetary Affairs adopted the own-initiative report by Mojca KLEVA KEKUŠ (S&D, SI) on the fight against tax fraud, tax evasion and tax havens in response to the Commission Communication on an Action plan to strengthen the fight against tax fraud and tax evasion.

The Committee on Development, exercising its powers as an associated committee in accordance with Rule 50 of the Parliament's Rules of Procedure, has also been consulted for an opinion on the report.

Recalling that an estimated **EUR 1 trillion of potential tax revenue is lost** to tax fraud, tax evasion, tax avoidance and aggressive tax planning every year in the EU, representing an approximate cost of EUR 2000 for every European citizen each year, the report welcomes the Commission's Action Plan and its recommendations urging Member States to take immediate and coordinated action against tax havens and aggressive tax planning.

Headline target – addressing the tax gap: the report calls on Member States to commit to an ambitious but realistic target of **at least halving the tax gap by 2020.** It acknowledges, furthermore, that broadening already existing tax bases, rather than increasing tax rates or introducing new taxes, could generate further incomes for Member States.

Proposals on attaining the headline target:

1) On tax fraud and tax evasion: Member States should allocate adequate staff and budget resources to their national tax administrations and tax audit staff. Members suggest that competent authorities should take action and suspend or revoke the banking licenses of financial institutions and financial advisors if they assist in tax fraud by offering products or services to customers enabling them to evade taxes or refuse to cooperate with tax authorities. They also stress the importance of **a Common Consolidated Corporate Tax Base (CCCTB)** and of **implementing new strategies for improved combating of VAT fraud,** especially carousel fraud.

Member States are asked to:

- remove all obstacles in national law that hinder **cooperation and exchanges of tax information** with the EU institutions and within the Member States, while also ensuring effective protection of taxpayers' data;

- continue, under the new Fiscalis 2020 programme, the **simultaneous controls** to find and fight cross-border tax fraud, and to facilitate the presence of foreign officials in the offices of tax administrations and during administrative enquiries;

- **seek 'smoking gun' data on tax evasion** from other government-maintained registers, and to share this with other Member States and the Commission.

The report also calls on the Commission to:

- introduce proposals for a harmonised tackling of tax fraud **under criminal law**, in particular as regards cross border and mutual investigations;

- enhance its **cooperation with other EU law enforcement bodies**, in particular authorities responsible for anti-money laundering, justice and social security;

- take immediate action with regard to the **transparency of companies' tax payments** by obliging all multinational companies to publish a simple, single figure for the amount of tax paid in each Member State in which they operate.

2) Tax avoidance and aggressive tax planning: Member States are asked, as a matter of priority, to **adopt the amended Savings Tax Directive** and improve the effectiveness of the **Code of Conduct** for business taxation by raising issues at Council level where political decisions are urgently needed.

Members also feel it is essential to **introduce requirements on country-by-country reporting for cross-border companies** in order to fight tax evasion. They call on the Commission to implement country-by-country reporting for cross-border companies in all sectors, requiring disclosure of information on the trading of a group as a whole in order to monitor if proper transfer pricing rules are respected. The Commission is asked to **take action on companies' aggressive tax planning units,** in particular in the financial services sector.

The report also recommends:

- preparation of a **new Code of Conduct for auditors and advisers;**

- creation of an **EU tax identification number (TIN),** applicable to all legal and natural persons engaged in cross-border transactions;

- creation of a **European taxpayer's code;**

- establishing **efficient revenue-collecting mechanisms** and the use of modern technology;

- the swift implementation by Member States of the Commission's proposal for the introduction of a **General Anti-Abuse Rule** and the inclusion of a clause in their **Double Taxation** Conventions;

- introducing a **European register for trusts and other "secrecy" entities** as a prerequisite for dealing with tax avoidance.

3) Tax havens: the report calls for a **common EU approach** towards tax havens. To ensure the effectiveness of such an approach, Members ask the Commission to:

- adopt a **clear definition and a common set of criteria to identify tax havens**, as well as appropriate measures applying to identified jurisdictions, for implementation by 31 December 2014. This definition should be based on the OECD standards of transparency and exchange of information as well as on the Code of Conduct principles and criteria;

- **compile a public European blacklist of tax havens by 31 December 2014**. In this context, the competent authorities are asked to: (i) suspend or terminate existing Double Tax Conventions with

jurisdictions that are on the blacklist, and to initiate Double Tax Conventions with jurisdictions that cease to be tax havens; (ii) prohibit access to EU public procurement of goods and services and refuse to grant state aid to companies based in blacklisted jurisdictions.

The report encourages Member States to offer **cooperation and assistance to developing countries** that are not tax havens, helping them to tackle tax fraud and tax avoidance effectively, in particular through capacity-building measures.

4) EU role in the international arena: the report emphasises that the EU should take the leading role in discussions on the fight against tax fraud, tax avoidance and tax havens in the OECD, the Global Forum on Transparency and Exchange of information for Tax Purposes, the G20, the G8 and other relevant multinational for a.

Lastly, in the light of information on secret off-shore bank accounts published in April 2013 by the International Consortium of investigative journalism, Members call once more for a strengthened European and international commitment to transparency that should result in an **international, binding, multilateral, agreement on the automatic exchange of information in tax matters.**