Fight against tax fraud, tax evasion and tax havens

2013/2060(INI) - 21/05/2013 - Text adopted by Parliament, single reading

The European Parliament adopted a resolution 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.

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, Parliament welcomes the Commission's initiative to establish a 'Platform for Tax Good Governance', and insists that Member States apply measures regarding issues of tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens in their dependent territories.

In the light of information on secret off-shore bank accounts published in April 2013 by the International Consortium of investigative journalism, the resolution calls 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.**

Headline target – addressing the tax gap: Parliament calls on Member States to commit to an ambitious but realistic target of **at least halving the tax gap by 2020 and asks** the Commission to develop a comprehensive strategy, based on concrete legislative actions. 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.

At the forefront of the EU tax gap strategy should be the following actions:

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, such as databases on motor vehicles, land, yachts and other assets and to share this with other Member States and the Commission.

Parliament 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;

- address specifically the problem of hybrid mismatches between the different tax systems used in Member States.

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 that the Commission 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.

Parliament 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: Parliament calls for a **common EU approach** towards tax havens and welcomes the Commission's commitment to promoting the automatic exchange of information as the future European and international standard for transparency and exchange of information in tax matters. The Commission is asked 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; (iii) introduce a special levy on all transactions to or from blacklisted jurisdictions.

Parliament also 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. It recalls that transfer pricing resulting in tax avoidance negatively affects the budgets of developing countries by forcing on them an estimated loss of circa EUR 125 billion in tax revenues annually, almost twice the amount they receive in international aid.

4) EU role in the international arena: the resolution 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 fora.

Members welcome the US Foreign Account Tax compliance Act (FATCA) as a first step towards an automatic exchange of information between the EU and the US to fight trans-border tax fraud and tax evasion. Parliament regrets, however, that a bilateral/intergovernmental approach has been taken in the negotiations with the US rather than a common EU negotiating position.

Parliament considers that it of paramount importance that Member States authorise the Commission to negotiate **tax agreements** with third countries on behalf of the EU instead of continuing with the practice of bilateral negotiations. The Commission and Member States should insist, in their respective relations with third countries, on the strict application of EU standards in tax related matters, in particular as regards future bilateral or multilateral trade agreements.