Bringing transparency, coordination and convergence to corporate tax policies in the Union

2015/2010(INL) - 16/12/2015 - Text adopted by Parliament, single reading

The European Parliament adopted by 500 votes to 122, with 81 abstentions, a resolution with recommendations to the Commission on bringing transparency, coordination and convergence to corporate tax policies in the Union.

These recommendations build on the work of Parliament's Special Committee on Tax Rulings (TAXE Committee), set up in the wake of the "Luxleaks" revelations.

While respecting Member States' sovereignty in relation to tax policy, Parliament stated that there is a need for EU legislative measures to improve transparency, coordination and convergence within corporate tax policies in the Union.

The resolution lists a series of measures that call for the Commission to submit to Parliament by June 2016 one or more legislative proposals, following the detailed recommendations set out below:

Transparency: Parliament called on the European Commission to:

- increase, as a priority, transparency in the area of corporate taxation in order to improve tax collection which will make the work of tax authorities more efficient and ensure an increase in public trust and confidence in tax systems and governments;
- take all the necessary steps to introduce by the first quarter of 2016 comprehensive and public country-by-country reporting (**CBC-R**) **for all multinational companies**, in all sectors;
- create, as soon as possible, on a **voluntary European 'Fair Tax Payer' label** for companies who engage in good tax practices. Companies should be motivated by the label to make paying a fair share of taxes an essential part of their corporate social responsibility policy;
- establish a **new mechanism** whereby Member States are compelled to inform other Member States and the Commission without delay if they intend to introduce a new allowance, relief, exemption, incentive or similar measure that could have a material impact on the effective tax rate in the Member State or on the tax base of another Member State;
- bring forward a legislative proposal to **protect whistleblowers.**

Coordination: Parliament called on the European Commission to:

- present a legislative proposal for the introduction of a common consolidated corporate tax base (**CCCT**). More specifically, as a first step, by June 2016, a mandatory Common Corporate Tax Base in the Union which subsequently should be consolidated (CCCTB). During the interim period between the introduction of mandatory CCTB and that of full CCCTB, a set of measures to **reduce profit shifting** (mainly via transfer pricing) including as a minimum a Union anti-Base Erosion and Profit Shifting (BEPS) legislative proposal (BEPS are tax planning strategies that exploit gaps and mismatches in tax rules to artificially shift profits to low or no-tax locations where there is little or no economic activity, resulting in little or no overall corporate tax being paid);
- strengthen the mandate and improve transparency of the **Council Code of Conduct** Working Group on Business Taxation;
- continue to provide guidance regarding "**patent boxes**" which are special tax regimes for intellectual property revenues:

- bring forward proposals for **common European standards and definitions** on what qualifies as the promotion of research and development, and what does not, and for harmonising the use of patent and innovation boxes;
- bring forward a proposal to amend the Directive 2011/16/EU on administrative cooperation in the field of taxation in order to ensure more effective simultaneous tax audits and controls where two or more national tax authorities decide to conduct controls of one or more persons of common or complementary interests;
- table a proposal for a European Tax Identification Number (**TIN**);

Convergence: Parliament called on the European Commission to:

- table a legislative proposal to allow the Union to speak with one voice in relation to international tax arrangements;
- negotiate tax agreements with third countries on behalf of the Union instead of the current practice under which bilateral negotiations are conducted, which produce sub-optimal results;
- create a common and cogent definition of '**tax havens**'. In this regard, the Commission should put forward a **revised list of tax havens**, which would replace its interim list as put forward in June 2015. A catalogue of counter-measures should be created for those who use tax havens. These counter-measures may include being banned from accessing state aid or public procurement opportunities at Union or national level;
- improve the Transfer Pricing framework in the EU so as to: (i) reflect the economic reality of the internal market; (ii) provide certainty, clarity and fairness for Member States and for companies operating within the Union; (iii) reduce the risk of misuse of the rules for profit shifting purposes;
- harmonise national definitions of debt, equity, opaque and transparent entities, harmonise the attribution of assets and liabilities to permanent establishment, and harmonise the allocation of costs and profits between different entities within the same group;
- bring forward a proposal by summer 2016 to **improve the current mechanisms to resolve cross-border taxation disputes** in the Union, not only focusing on cases of double taxation but also double non-taxation;
- introduce a **withholding tax** or a measure of similar effect, to ensure that all profits generated within the Union, and due to leave, are effectively taxed within the Union before they leave the Union’s borders;
- address the tax gap by, *inter alia*: (i) investigating sources of low efficiency regarding tax collection, including VAT collection; (ii) ensuring that tax authorities have full and meaningful access to central registers of beneficial ownership for both companies and trusts, and that those registers are properly maintained and verified.