

Fair and simpler taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)

2020/2254(INL) - 10/02/2022 - Committee report tabled for plenary, single reading

The Committee on Economic and Monetary Affairs adopted a legislative initiative report by Ludk NIEDERMAYER (EPP, CZ) with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation).

Members welcomed the action plan and supported its full implementation. They noted that the majority of the 25 actions are VAT-related, which is appropriate given the high level of revenue losses in the VAT area and the need to support businesses, especially SMEs. However, they believe that an impact assessment should be carried out to complement concrete legislative proposals in order to better understand the potential effects on taxpayers and businesses.

The unprecedented impact and scale of the COVID-19 crisis on the economy has led to a decrease in tax revenues and a sharp increase in public debt. Members considered that it is essential to **combat tax evasion and fraud** while maintaining taxes at levels that support sustainable economic growth and the EU's economic and social recovery and longer-term challenges, without compromising adequate tax revenues.

According to the report, a rapid recovery requires a strong economic and fiscal policy response through reforms and investments, including:

- an effective level playing field for taxpayers and businesses, by reducing or eliminating tax benefits that unfairly disadvantage SMEs, including a reduction in red tape, through a simple, fairer, digital and more predictable tax environment;
- ensuring that Member States have the tax revenues to finance recovery, the transition to a carbon-neutral economy, a reduction in their debt-to-GDP ratio and the stimulation of investment; and
- ensuring fair taxation of businesses and citizens, increasing transparency and trust in society and fair competition, based on agreed standards and coordinated and digitalised reporting systems.

Members called on the Commission to **present to Parliament by 2022/2023 one or more legislative proposals** addressing the following recommendations:

(1) Simplification, reducing compliance costs for taxpayers

The report called on the Commission to:

- move towards a single EU VAT registration procedure and a single EU VAT number by 2023 to reduce compliance costs, in particular for SMEs operating in the Single Market;

- put in place measures to further reduce the costs and complexity of taxation of SMEs and European Companies (SEs) by 2023. The Commission should explore the possibility of introducing a **single pan-European income tax regime for SEs and start-ups**.

(2) More certainty for taxpayers and/or Member States' tax administrations

The report called on the Commission to:

- identify the remaining gaps in Council Directive (EU) 2017/1852 on tax dispute resolution mechanisms in the European Union, as well as propose one or more effective ways to address existing tax residence conflicts and uncertainties for both natural and corporate persons, leading to risks of double taxation and /or double non-taxation;

- present proposals on the definition of tax residence by 2023;

- assess the need for and the most appropriate way to **extend automatic information exchange** between Member States to other categories of income and assets, such as crypto-assets;

- issue **guidelines** on tax incentives that do not distort the single market.

(3) Reducing tax leakage and compliance costs

The report called on the European Commission to:

- put in place, without delay and by 2022 at the latest, a **common harmonised standard for e-invoicing** across the EU, to reduce the cost of creating fragmented and different systems across the Member States;

- explore the possibility of the gradual introduction of **obligatory e-invoicing across the EU by 2023**, with a focus on significantly reducing compliance costs, in particular for SMEs;

- propose measures that would **significantly reduce the VAT gap**, in particular the gap related to the exemption of EU cross-border trade. This includes relaunching the initiative of the definitive regime, which is the most natural and effective way to combat VAT fraud and to simplify compliance with VAT obligations;

- present a legislative proposal on a single harmonised corporate tax (CIT) return to support the BEFIT framework in the EU;

- provide an independent assessment of the work done and propose ways to take forward the launch of an **EU Tax Observatory** as a preparatory action.

(4) A new coordinated European corporate income tax system

The report invited the Commission to:

- carry out a thorough impact assessment and include strong anti-avoidance clauses in the forthcoming proposal for a franchise to reduce debt-incentives;

- ensure that different elements of what constitutes **real economic activity of businesses** are taken into account (sales, labour force, assets) in the context of the future framework for income taxation (BEFIT);

(5) Efficiency of tax administrations, exchange of tax information and data quality

The report called on the Commission to strengthen the EU's network of anti-fraud experts, Eurofisc, and to provide sufficient resources to carry out joint risk analyses, coordinate investigations and cooperate with the European Anti-Fraud Office (OLAF), Europol and the European Public Prosecutor's Office (EPPO), in particular to investigate VAT fraud.