Tax policy in the Union, priorities : VAT, excise duties, energy and environment, enterprises

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PURPOSE : to set out the priorities on tax policy in the European Union. CONTENT : The Communication sets out the general and specific objectives of tax policy for the years ahead and discusses the mechanisms to achieve these objectives. With regard to general objectives, EU tax policy must: - underpin the Lisbon goal for the EU to become the most competitive and knowledge-based economy in the world. - support the Internal Market by allowing all Member States to compete on a level playing field. - contribute to the durable reduction in the overall tax burden in the EU, by ensuring a balance between cutting taxes, investing in public services and sustaining fiscal consolidation. - support the modernisation of the European Social Model. - reinforce policy areas. The EU must focus on practical problems for individuals and businesses operating within the Internal Market. This must be accompanied by steps to assist Member States in combating fraud and tax evasion. Double taxation due simply to the cross-border nature of economic activities cannot be accepted, but its elimination should not create opportunities for tax avoidance and evasion. Greater co-ordination of Member States' tax systems should not give rise to unintentional non-taxation. The Commission identifies some specific tax policy objectives: - the rapid implementation of the Commission's VAT legislative strategy for the next five years. - in view of the urgent need for more approximation of laws in the area of environmental and energy taxation in the EU, a thorough examination of ways forward. - both for health reasons and to restrict fraud and smuggling, the Commission has proposed measures which enhance convergence between the excise duty levels in the Member States on tobacco and is consulting in relation to excise duty on alcohol. - in the corporate tax area, the debate centres around whether, with increasing cross-border activity, tax obstacles can continue to be tackled by piecemeal approaches that leave national company tax systems intact. Whilst the setting of national tax rates falls within the exclusive competence of Member States, a more ambitious approach, such as a common set of rules for company taxation, may be needed. The study of company taxation will assist the Commission in reaching a view. - It is imperative to eliminate tax obstacles to the cross-border provision of occupational pensions (see Communication on pensions taxation.) The Commission will actively monitor Member States' rules and take action where necessary. - a move to qualified majority voting for certain tax issues is indispensable, especially where there are distortions of the Internal Market, The legal basis, however, remains unanimity for now. Community legislation on taxation is important, but the Commission will use all mechanisms, including a) a more pro-active and even-handed use of infringement proceedings in the tax field and b) careful consideration to an increased use of non-legislative solutions - such as recommendations, guidelines and interpretative notices - and to the mechanism of enhanced co-operation.