## Basic information

| | |
|---|---|
| **1997/2268(COS)**<br>COS - Procedure on a strategy paper (historic) | Procedure completed |
| Combating harmful tax competition in the European Union<br>**Subject**<br>2.70 Taxation | |

## Key players

| | | | |
|---|---|---|---|
| European Parliament | **Committee responsible** | **Rapporteur** | **Appointed** |
| | ECON Economic and Monetary Affairs, Industrial Policy | SECCHI Carlo (PPE) | 04/11/1997 |
| Council of the European Union | **Council configuration** | **Meetings** | **Date** |
| | Economic and Financial Affairs ECOFIN | 2053 | 1997-12-01 |

## Key events

| Date | Event | Reference | Summary |
|---|---|---|---|
| 05/11/1997 | Non-legislative basic document published | COM(1997)0564 | Summary |
| 01/12/1997 | Debate in Council | | |
| 03/06/1998 | Vote in committee | | Summary |
| 03/06/1998 | Committee report tabled for plenary | A4-0228/1998 | |
| 15/06/1998 | Committee referral announced in Parliament | | |
| 17/06/1998 | Debate in Parliament | | |
| 18/06/1998 | End of procedure in Parliament | | |
| 06/07/1998 | Final act published in Official Journal | | |

## Technical information

| | |
|---|---|
| **Procedure reference** | 1997/2268(COS) |
| **Procedure type** | COS - Procedure on a strategy paper (historic) |
| **Procedure subtype** | Commission strategy paper |
| **Legal basis** | Rules of Procedure EP 148 |
| **Stage reached in procedure** | Procedure completed |

| | |
|---|---|
| **Committee dossier** | ECON/4/09510 |

| Documentation gateway | | | | |
|---|---|---|---|---|
| **European Parliament** | | | | |
| **Document type** | **Committee** | **Reference** | **Date** | **Summary** |
| Committee report tabled for plenary, single reading | | A4-0228/1998<br>OJ C 210 06.07.1998, p. 0008 | 03/06/1998 | |
| Text adopted by Parliament, single reading | | T4-0380/1998<br>OJ C 210 06.07.1998, p. 0177-0227 | 18/06/1998 | Summary |
| **European Commission** | | | | |
| **Document type** | | **Reference** | **Date** | **Summary** |
| Supplementary non-legislative basic document | | COM(1997)0495 | 01/10/1997 | Summary |
| Non-legislative basic document | | COM(1997)0564 | 05/11/1997 | Summary |

# Combating harmful tax competition in the European Union

1997/2268(COS) - 01/10/1997 - Supplementary non-legislative basic document

OBJECTIVE: to propose a set of measures to combat harmful tax competition in the European Union. SUBSTANCE: following the informal meeting of Economics and Finance Ministers in Mondorf- les-Bains in September 1997 and the decision by the ECOFIN Council to hold an orientation debate on taxation, the Commission has submitted a working document as a basis for discussion on the concerted reduction of harmful tax competition in the Union. The purpose of the measures concerned is to reduce distortions of competition within the single market, prevent losses of tax revenue and reverse the tendency to tax labour more than more mobile factors. The proposed measures fall into 4 sections: a code of conduct for business taxation, measures to eliminate distortions arising from taxation of income from capital, measures to eliminate withholding taxes on payments of interest and royalties between associated companies of different Member States, and indirect taxation measures. 1) Business taxation: the draft code of conduct annexed to the communication is a non-binding but politically essential instrument, as it commits Member States to respect the principles of fair competition. It comprises a list of facilities or measures regarded as mutually damaging, based on a level of taxation significantly lower than that generally in force in a Member State (including zero taxation). The code provides for mutual information and assessment of harmful tax measures, freezing of any further damaging tax measures of the same kind in the Member States, dismantling of existing measures within a given time limit in the light of the assessment procedure, and a monitoring and review procedure after two years' application. The code of conduct also entails a commitment to cooperate fully in combating tax fraud and calls on the Commission to check the permissibility of certain State aid of a fiscal nature. 2) Taxation of income from savings: initially, the aim is to persuade Member States to enter into discussions concerning the basics of a future Directive on the subject. The underlying principles would be as follows: -the scope of the measure would be confined to interest paid in a Member State to natural persons who are not resident for tax purposes there but in another Member State, -"coexistence" of the two systems in order to guarantee at least a certain degree of effective taxation of income from the savings of non-residents: each Member State could operate a minimum withholding tax or provide information on savings income to other Member States, -in order to preserve the worldwide competitiveness of European financial markets, the Community legislation adopted would be disseminated outside the Community, -deduction of taxation at source on interest paid to residents of other Member States by the paying body (measures would also be taken to check the country of residence for tax purposes of the beneficiaries). 3) Interest and royalty payments: withholding of tax at source on payments of interest and royalties between companies creates obstacles to economic operators operating across borders (very protracted formalities, deprivation of cash funds, even double taxation). The Commission will therefore propose a Directive to eliminate it. 4) Indirect taxation: even though not all Member States are in favour of action in this field, a range of measures are proposed, particularly relating to VAT. The Commission considers that 4 types of measure should be taken: -the status of the VAT Committee should be altered to turn it into a regulatory body which helps the Commission to adopt measures to implement the 6th VAT Directive, -exemption of transactions relating to gold acquired as an investment (but taxation of gold for other uses, e.g. industrial), -taxation of energy products, -implementation of the FISCALIS programme to combat indirect tax fraud.

# Combating harmful tax competition in the European Union

1997/2268(COS) - 18/06/1998 - Text adopted by Parliament, single reading

Adopting the report by Mr Carlo SECCHI (PPE, I), the European Parliament felt that the package of measures presented by the Commission was the minimum needed in order to counter the consequences of harmful tax competition and fight unemployment. It welcomed beneficial tax competition among Member States as a tool to increase the competitiveness of the European economy confronted with the challenges of globalisation. Finally, it called on the Commission to put forward proposals which could strengthen and complete the existing package, including in the field of indirect taxation, to monitor more closely the issue of fiscal state aids in the Member States and to involve Parliament formally and more closely in discussions for the implementation of its strategy on taxation policy.

# Combating harmful tax competition in the European Union

1997/2268(COS) - 05/11/1997 - Non-legislative basic document

OBJECTIVE: this communication (final version of the Monti memorandum) proposes a package to tackle harmful tax competition in the European Union. CONTENT: in the light of discussions in the Fiscal Policy Group (FPG), which highlighted the difficulty of coordination of fiscal policies as the way forward, the Commission has revised the list of factors proposed in its communication of 1 October 1997 downwards and proposes a package of measures which should represent an important step towards increased coordination and real progress in the fight against harmful tax competition in the European Union. This package consists of three proposals: a code of conduct for business taxation, the outline of a minimal Community solution to the problem of tax on income from savings and an agreement making provision for the abolition of tax at source on cross-border payments of interest and royalties between companies. 1) Business taxation: a revised draft code of conduct is annexed to the communication. It makes provision first for all harmful tax measures to be frozen and then for existing measures to be dismantled within a period of two years (or longer in specific cases, in order to take account of the legitimate expectations of operators). In order to safeguard efficiency, the code would have a monitoring mechanism and would be reviewed after two years in application. The Council would undertake to cooperate fully in the fight against tax avoidance and tax evasion within the framework of the exchange of information between Member States. 2) Tax on savings: the Commission proposes a number of factors which could be used as the basis for a directive to be presented by April 1998: a) the scope of the directive would be confined to interest paid in a Member State to natural persons who are not resident for tax purposes there but in another Member State; b) the directive would be based on the "coexistence" model, under which each Member State operates a minimum withholding tax or provides information on savings income to other Member States; c) any taxation at source on interest paid to residents of other Member States would, in principle, be deducted by the paying body; d) in order to preserve the worldwide competitiveness of the European financial markets, the Member States would endeavour to disseminate the legislation adopted outside the Community; 3) interest and royalty payments between companies: the Commission invites the Member States to make a political commitment to make every effort to adopt quickly the proposal for a directive which it would submit by February 1998. The Commission also emphasizes the urgent need for progress on numerous aspects of indirect taxation, especially the question of VAT on cross-border leasing agreements. It also undertakes to deal with the question of state aid of a fiscal nature.