Basic information

2015/2058(INI) INI - Own-initiative procedure	Procedure completed
Tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries **Subject** 2.70 Taxation 6.30 Development cooperation	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
DEVE Development	SCHLEIN Elly (S&D)	28/01/2015
	Shadow rapporteur RÜBIG Paul (PPE) LUCKE Bernd (ECR) MICHEL Louis (ALDE) SÁNCHEZ CALDENTEY Lola (GUE/NGL) SARGENTINI Judith (Verts/ALE) CORRAO Ignazio (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed
ECON Economic and Monetary Affairs (Associated committee)	BAYET Hugues (S&D)	16/12/2014

European Commission

Commission DG	Commissioner
International Cooperation and Development	MIMICA Neven

Key events

Date	Event	Reference	Summary
12/03/2015	Committee referral announced in Parliament		
12/03/2015	Referral to associated committees announced in Parliament		

01/06/2015	Vote in committee		
09/06/2015	Committee report tabled for plenary	A8-0184/2015	Summary
07/07/2015	Debate in Parliament		
08/07/2015	Decision by Parliament	T8-0265/2015	Summary
08/07/2015	Results of vote in Parliament		
08/07/2015	End of procedure in Parliament		

Technical information	
Procedure reference	2015/2058(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 55
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/8/02906

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE551.919	12/03/2015	
Amendments tabled in committee		PE557.129	06/05/2015	
Committee opinion	ECON	PE551.885	08/05/2015	
Committee report tabled for plenary, single reading		A8-0184/2015	09/06/2015	Summary
Text adopted by Parliament, single reading		T8-0265/2015	08/07/2015	Summary

European Commission

Document type	Reference	Date	Summary
Commission response to text adopted in plenary	SP(2015)575	01/12/2015	

Tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries

2015/2058(INI) - 09/06/2015 - Committee report tabled for plenary, single reading

The Committee on Development adopted an own-initiative report by Elly SCHLEIN (S&D, IT) on tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries.

The Committee on Economic and Monetary Affairs, exercising its prerogatives as an associated committee under Parliament's Rule 54 of the Rules of Procedure was consulted to give an opinion on the report.

Members recalled that tax evasion and avoidance have been identified as major obstacles to the mobilisation of domestic revenue for development by all major international texts and conferences on financing for development. They called on the Commission **promptly to put forward an ambitious action plan, in the form of a communication, to support developing countries fighting tax evasion and tax avoidance.** Members insisted that effective mobilisation of domestic resources and a strengthening of tax systems will be an indispensable factor in achieving the post-2015 framework that will replace the Millennium Development Goals (MDGs).

They expressed as well concerns about the level of **corruption and non-transparent public administration** that hinder tax revenues from being invested in state-building, public services or public infrastructure.

According to Members, **tax resources remain low as a proportion of GDP in most developing countries**, making them particularly vulnerable to the tax evasion and avoidance activities of individual taxpayers and companies. This represents a considerable financial loss for developing countries which needs to be addressed.

Action plan to combat tax avoidance and tax evasion in developing countries: the Commission is urged to take concrete and effective measures to support developing countries and regional tax administration frameworks, such as the African Tax Administration Forum and the Inter-American Centre of Tax Administrations, in the fight against tax evasion and tax avoidance, in developing fair, well-balanced, efficient and transparent tax policies.

Members asked the Commission to give good governance in tax matters, and fair, well-balanced, efficient and transparent tax collection, a high place on the agenda in its policy dialogue (political, development and trade), and in all development cooperation agreements, with partner countries.

They also called for:

- for information on beneficial ownership of companies, trusts and other institutions to be made publicly available in open-data formats;
- countries to adopt and fully implement the Financial Action Task Force's (FAFT) anti-money laundering recommendation.

Publication of tax information: Members invited the European Union and its Member States to enforce the principle that listed or unlisted multinational companies of all countries and sectors, and especially those companies extracting natural resources, must adopt country-by-country reporting (CBCR) as a standard, requiring them to publish, as part of their annual reporting and on a country-by-country basis for each territory in which they operate, the **names of all subsidiaries and their respective financial performance**, relevant tax information, assets and number of employees, and to ensure that this information is made publicly available. The Commission is called upon to put forward a legislative proposal to amend the Accounting Directive accordingly.

Members underlined that tax exemptions and advantages granted to foreign investors through bilateral tax treaties provide MNCs with an unfair competitive advantage relative to domestic firms, especially SMEs. They also called for the fiscal conditions and regulations under which extractive industries operate to be revised. Members called for the establishment, by the end of 2015, of an **internationally agreed definition of tax havens**, of penalties for operators making use of them and of a **blacklist of countries, including those in the EU, that do not combat tax evasion or that accept it**. They called on the EU to support the economic reconversion of those developing countries that serve as tax havens.

They also urged:

- Member States with dependencies and territories that are not part of the Union to work with the administrations of these areas towards the adoption of the principles of tax transparency and to ensure that none serve as tax havens;
- that, when negotiating tax and investment treaties with developing countries, income or profits resulting from cross-border activities should be taxed in the source country where value is extracted or created;
- the Commission and the Member States to conduct impact assessments of European tax policies on developing countries;
- the Member States to agree swiftly on a **Common Consolidated Corporate Tax Base**;
- for sanctions to be considered both for non-cooperative jurisdictions and for financial institutions that operate within tax havens;
- the Commission and the Council, and on partner governments, to ensure that tax incentives do not constitute additional options for tax avoidance;
- the EIB and the EBRD, and on Member States' development finance institutions, to monitor and ensure that companies or other legal entities that receive support do not participate in tax evasion and avoidance.

Tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries

2015/2058(INI) - 08/07/2015 - Text adopted by Parliament, single reading

The European Parliament adopted by 50 votes to 57, with 23 abstentions, a resolution on tax avoidance and tax evasion as challenges for governance, social protection and development in developing countries.

Parliament recalled that tax evasion and avoidance have been identified as major obstacles to the mobilisation of domestic revenue for development by all major international texts and conferences on financing for development. It called on the Commission **promptly to put forward an ambitious action plan, in the form of a communication, to support developing countries fighting tax evasion and tax avoidance.** Members insisted that effective

mobilisation of domestic resources and a strengthening of tax systems will be an indispensable factor in achieving the post-2015 framework that will replace the Millennium Development Goals (MDGs). It expressed as well concerns about the level of **corruption and non-transparent public administration** that hinder tax revenues from being invested in state-building, public services or public infrastructure.

According to Parliament, **tax resources remain low as a proportion of GDP in most developing countries**, making them particularly vulnerable to the tax evasion and avoidance activities of individual taxpayers and companies. This represents a considerable financial loss for developing countries which needs to be addressed.

Action plan to combat tax avoidance and tax evasion in developing countries: the Commission is urged to take concrete and effective measures to support developing countries and regional tax administration frameworks, such as the African Tax Administration Forum and the Inter-American Centre of Tax Administrations, in the fight against tax evasion and tax avoidance, in developing fair, well-balanced, efficient and transparent tax policies.

Parliament asked the Commission to give good governance in tax matters, and fair, well-balanced, efficient and transparent tax collection, a high place on the agenda in its policy dialogue (political, development and trade), and in all development cooperation agreements, with partner countries. It also called for **information on beneficial ownership of companies, trusts and other institutions to be made publicly available** in open-data formats in order to prevent anonymous shell companies and comparable legal entities from being used to launder money, finance illegal or terrorist activities, conceal the identity of corrupt and criminal individuals, and hide the theft of public funds and profits from illegal traffic and illegal tax evasion.

It believes, furthermore, that all countries should at minimum adopt and fully implement the Financial Action Task Force's (FAFT) anti-money laundering recommendations.

Publication of tax information: Parliament invited the European Union and its Member States to enforce the principle that listed or unlisted multinational companies of all countries and sectors, and especially those companies extracting natural resources, must adopt country-by-country reporting (CBCR) as a standard, requiring them to publish, as part of their annual reporting and on a country-by-country basis for each territory in which they operate, the **names of all subsidiaries and their respective financial performance**, relevant tax information, assets and number of employees, and to ensure that this information is made publicly available, while minimising administrative burdens by excluding micro-enterprises. The Commission is called upon to put forward a legislative proposal to amend the Accounting Directive accordingly.

Parliament recalled that **public transparency is a vital** step towards fixing the current tax system and building public trust. It underlined that tax exemptions and advantages granted to foreign investors through bilateral tax treaties provide MNCs with an unfair competitive advantage relative to domestic firms, especially SMEs. It also called for the **fiscal conditions and regulations** under which **extractive industries operate to be revised**.

Parliament called for the establishment, by the end of 2015, of an **internationally agreed definition of tax havens**, of penalties for operators making use of them and of a **blacklist of countries, including those in the EU, that do not combat tax evasion or that accept it**. It called on the EU to support the economic reconversion of those developing countries that serve as tax havens.

It also urged:

- Member States with dependencies and territories that are not part of the Union to work with the administrations of these areas towards the adoption of the principles of tax transparency and to ensure that none serve as tax havens;
- that, when negotiating tax and investment treaties with developing countries, income or profits resulting from cross-border activities should be taxed in the source country where value is extracted or created;
- that impact assessments of European tax policies on developing countries be conducted (Parliament welcomed the Commission's revised Action Plan on tax evasion and tax avoidance, to be presented in 2015);
- the Member States to agree swiftly on a **Common Consolidated Corporate Tax Base**;
- for sanctions to be considered both for non-cooperative jurisdictions and for financial institutions that operate within tax havens;
- the Commission and the Council, and on partner governments, to ensure that tax incentives do not constitute additional options for tax avoidance;
- the EIB and the EBRD, and on Member States' development finance institutions, to monitor and ensure that companies or other legal entities that receive support do not participate in tax evasion and avoidance.