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PLATFORM FOR TAX GOOD GOVERNANCE

SHAPING FUTURE TAX POLICIES TOGETHER

Draft Work Programme 2020-2024

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1. INTRODUCTION

For delivering good policies, the Commission needs to get the best possible advice and expertise. Tax policy is no exception. To contribute to robust, evidence-based, sound tax policy making, in 2012 the Commission decided to set up a space of exchange and dialogue on tax with and between different groups of stakeholders. This is how the Platform came to life.¹

Since 2013, the Platform has actively contributed to discussions on several tax topics, including tax havens, arbitration and dispute resolution mechanisms, aggressive tax planning, tax uncertainty, external strategy in taxation, digital taxation, EU initiatives for tax transparency and against tax avoidance, to name just a few. Recently, discussions have often focussed on tax good governance in third countries: tax treaties with developing countries, analysis of the impact of EU policies on developing countries, and the Addis Tax Initiative.² It has also been an early and instrumental contributor on the EU list of non-cooperative jurisdictions for tax purposes.

As done in the past, the Commission believes the Platform will continue to offer added value in the future too. This document puts forward ideas for topics to be discussed over the next four years at Platform meetings, also taking into account inputs received from Platform members. It is meant to be a public document so it is written using a simple language, avoiding jargon and technicalities. Its targeted readership are citizens who wish to be informed about tax policy at EU level and would like to know more about the work of the Platform.

As a contribution to this work programme, the members of the Platform offered extensive input, ideas, suggestions. This programme aims at distilling all this material into a shorter document. Several contributions put forward similar ideas. A common thread is the willingness and commitment by members to actively contribute to tax policy design, discussion and debate. A second main commonality is an understanding of tax policy as a means to an end: better business environment, fairer society in Europe and elsewhere, a greener economy. Finally, practically all contributions indicate a keen interest in getting involved in Commission work, be it at the time of development of new policies or later in the policy cycle, at times of implementation or evaluation.

¹ The Platform is formally called : Platform for Tax Good Governance, Aggressive Tax Planning and Double Taxation. It is a group of experts assisting the European Commission's tax policy department, the Directorate-General Taxation and Customs Union DG TAXUD. It has its website at: https://ec.europa.eu/taxation_customs/business/company-tax/tax-good-governance/platform-tax-good-governance_en#heading_2

² <https://www.addistaxinitiative.net/>

Building upon a key trend in the contributions received, this work programme puts taxpayers, especially businesses, at the centre. Small or large, businesses are the engines of growth, innovation and competitiveness of the European economy. They give jobs to millions of people, provide us with products and services we enjoy, and pay billions of taxes each year. By paying their fair share, businesses contribute to sustaining the social market economy of our Union. As this work programme comes to light, many businesses are struggling, bearing the impact of the COVID-19 pandemic. It is the EU top priority to support and enable businesses to recover, so that the whole European economy will, once again, bounce back and generate much needed growth, jobs, innovation, for a better, more digital and greener future.

If there was one single question summarising this programme, it would be: which tax policy ideas today and over the next years can help to improve the environment into which businesses operate, making it more digital and greener, while at the same time ensuring they pay their fair share? This question is not easy to answer. The Commission relies on the expertise of the members of Platform as well, to find together the best answer. The extent, quality and breadth of contributions received testify the extensive knowledge, expertise and commitment of the Platform and raises high expectations for the coming years of work.

The rest of this document expands this basic question, putting forward ideas and topics for Platform's discussions over the next years. Ideas for future work are presented in paragraphs in **bold**, introduced by six high-level "how" questions, clustered around three sections: growth-friendly and fair taxation, international taxation and the need for flexible, open and inclusive Platform. These paragraphs should be seen as a synthesis of common elements found in the contributions received by Members.

**1st Question for the members of the Platform:
Do you consider something major is missing from
the summary of the Platform's achievements in
the past years?**

2. THE POLICY CONTEXT IN 2020: FROM THE JULY 2020 COMMISSION TAX PACKAGE TO THE OECD/G20 PILLARS

2.1 EU tax policy in the early 20s: a (continuous) balancing act between fair and simple taxation

The European Commission published an ambitious new Tax Package in July 2020. It included the Tax Action Plan and the Communication on tax good governance. The Package is built on the twin pillars of fairness and simplicity. Fair taxation remains a top priority for the European Commission, as a means of protecting public revenues, which will play an important role for the EU's economic recovery in the short-run and prosperity in the long run. The Package seeks to boost tax fairness, by intensifying the fight against tax abuse, curbing unfair tax competition and increasing tax transparency. In parallel, it focusses on simplifying tax rules and procedures, to improve the environment for businesses across the EU. This includes removing tax obstacles and administrative burdens for taxpayers in many sectors, so that it becomes easier for companies to thrive and grow in the Single Market. All of these objectives and challenges were mentioned also by the members of the Platform while describing what they felt the priorities of the Platform work should be.

2.2 COVID-19: a systemic challenge to how we live and work

In late 2020, the challenges that we are all facing in the area of international taxation, are multiplied by the unprecedented upheaval caused by the COVID-19 pandemic. Having shaken up the economies all over the world and caused devastating effects on many branches of economy, it will inevitably be reflected also in the work of the Platform for Tax Good Governance, as has been proved by the numerous concerns expressed by its members. Responding and recovering from the COVID-19 pandemic is the main current priority of EU policy in general and this affects tax policy making too.

2.3 The need (and consensus?) for essential, global business taxation reform

As this work programme is being drafted, a major, international, wide-ranging reform of how large, multinational businesses are taxed is ongoing. This reform, led by the OECD/G20, is expected to deliver results in 2021. The reform is composed of the so-called two pillars: pillar one that is about adapting how highly profitable companies pay taxes to better reflect current economic realities and pillar two that concerns the introduction of a global minimum corporate tax. There are several, complex elements involved in the reform but one of its key principles is clear: a fairer taxation of the digitalised economy, perhaps the biggest and most pressing challenge tax policymakers are facing. It is too early to say whether the reform will

ultimately achieve international consensus and by when precisely. This being said, it is certain that the European Union is committed to act if agreement is not reached in the framework of the OECD and G20. Indeed, in her last State of the Union speech, President von der Leyen confirmed this commitment, in order to achieve a fair tax system in the digital field and thus provide long-term sustainable revenues across the EU. There are several initiatives in the EU tax policy pipeline, as clearly mentioned in the Commission Work Programme 2021, and many of them are due during the current mandate of the Platform, which means that the Platform can play a useful role in shaping them.³

Question 2: Do you see some element missing from this very brief overview of the policy background and context to this work programme?

³ https://ec.europa.eu/taxation_customs/business/company-tax/tax-good-governance/platform-tax-good-governance_en#heading_2

3. GROWTH-FRIENDLY AND FAIR TAXATION: CAN IT BE DONE?

A well-designed business tax system is able to support job creation, innovation and a sustainable transformation towards a greener and more digital society, the so-called “twin transition”. Taxation policy should be put into the wider context of economic and social policies, to support businesses, to recover and grow again in a post COVID-19 world. The Action Plan of July 2020 makes it clear that fair and efficient taxation will be more important than ever in the months and years ahead.⁴

3.1 How to balance fairness and efficiency?

How to match fairness and efficiency?⁵ This is a basic, fundamental question that the Platform can help finding an answer to and a key dimension of its work programme. Fairness and efficiency ultimately depend on a myriad of factors. Each and every business is different. Yet, there are some broad themes of a certain degree of relevance here: tax design and tax administration. However, while the common EU list is being developed, the consolidated information on Member States' national lists (i.e. the "pan-EU list") should continue to be updated and published at least once a year. The Platform should provide the information needed to update the pan-EU list. It should also continue to pursue a wider discussion on listing for tax purposes, including the exchange of information on national practices, in light of EU and international developments in this area.

Taking into account input given by its members and the Commission objectives of tax fairness and growth, the Platform is invited to work on providing insights in the following questions: How to discourage tax avoidance practices and tackle harmful tax competition? How to provide tax related incentives for growth and for the twin transition towards a greener and more digital economy? How to facilitate cross-border business activity? This list is not exhaustive but could serve as useful blueprint for the Platform upcoming meetings and activities.

⁴ European Commission. (2020). Communication on the Action Plan for fair and simple taxation supporting the recovery strategy. (COM(2020) 312 final).

⁵ It is interesting to note that two of the most frequent words in the contributions received from members are “business” and “compliance”, suggesting a twin interest on issues of growth, competitiveness and investment on the one hand, as well as on matters of tax compliance, fairness, fair taxation on the other.

3.2 How to improve tax policy design?

Tax policy design does not happen in a vacuum. Delivering tax policies involve several steps: planning, design, negotiation, adoption, implementation, application (including enforcement), evaluation and revision. As any other EU action, also tax policies aim at achieving their desired objectives (such as good tax governance) through various means. It is clear that objectives can be achieved to a different extent, more or less effectively and efficiently.

With its robust expertise and tax policy knowledge, the Platform can play a supporting role in assessing and evaluating tax policies: what is the effect of EU tax intervention on businesses (including SMEs)? What is the impact in terms of collected revenues, in terms of cross-border business activity etc.? Can such impact be estimated, quantified, monetised?

3.3 How to improve tax administration?

When businesses pay their taxes, they typically have to deal with tax administrations. An important component of a well-designed tax system is a service-oriented, digital administration, focussing on enabling taxpayers to handle their taxes as smoothly as possible from the start and on tackling abuses in case of non-compliant citizens. Tax administration should be fit for the digital era. As mentioned in the last State of the Union speech, digital public services are among the goals to be achieved by 2030, against the backdrop of the so-called Europe Digital Decade. Advances in digital technology have provided tax administrations an opportunity to be more responsive and more accountable to taxpayers' needs in providing their services: technology can help to serve taxpayers better, while paying attention to the security of taxpayer data and to the protection of the resources and the security of the systems used by tax administrations.

The Platform can contribute with ideas to the question of how to improve tax administration for an enhanced taxpayer experience. How can tax administration make better use of digital technology to both support and control taxpayers? Transparency: how to improve this principle not only between tax administrations but also for the general public? How to roll-out programmes of cooperative compliance between businesses and tax administrations? How to move forward on ensuring that taxpayers' rights are respected, disputes prevented or effectively resolved and that there is early tax certainty on how much tax businesses are due to pay? These are some suggestions for possible questions the Platform may want to look into.

Question 3: This section of the programme focusses on attaining a balance between fair and efficient taxation. It focuses mainly on the EU Single Market. Following a common understanding of taxation, the section touches upon tax policy and tax administration. Are there some questions and issues missing here in your view, especially in the paragraphs in bold? If so, what are these issues and why do you believe they should be explicitly mentioned?

4. MULTINATIONAL BUSINESSES, MULTINATIONAL TAXATION

International tax matters has been one of the area of most frequent input from Platform's members in preparation of this work programme. The Commission has made it clear on several occasions that fair taxation and tax good governance do not end on the Union's borders. With its Communication of 15 July 2020, the Commission again reiterated that the Union should contribute to a fairer tax environment at international level, in line with the political guidelines presented by the European Commission President in 2019 and against the backdrop of the COVID-19 fallout.

4.1 How to enhance the international tax ecosystem?

Today, businesses are often active across borders, and beyond the EU. Large multinationals have subsidiaries in numerous jurisdictions. For instance, large technology companies may have almost 300 branches, across more than ten countries. When EU companies do business abroad, for instance by investing or buying new assets in third countries, tax good governance matters for both the EU and its trading partners: there should be a fair tax deal, whereby the EU will not lose revenues to tax avoidance or other aggressive tax planning schemes, and its partner countries will be in a position to remain attractive as investment destination.

The Platform's input on key policy measures to improve international tax standards such as the EU list of non-cooperative tax jurisdictions, is welcome. Relevant questions, which one could ask, include: how to ensure that the EU listing process covers all relevant partner countries? How to ensure a better coordination with the anti-money laundering listing process? Should the criteria of the EU list be changed? What about defensive measures, including limits to access to EU funds?

4.2 How to step up tax cooperation between the EU and its partners?

The EU is committed to continue supporting partner countries in their journey towards achieving tax good governance standards. Tax good governance rules will play a significant role in direct/indirect support and assistance to boost the capacity of developing countries to collect tax. The Commission is keen on engaging even further in these issues with all relevant international actors (e.g. Addis Tax Initiative). The EU Commission firmly believes that the work in this area should be fully aligned with the United Nations Sustainable Development Goals, also taking into consideration the severe repercussions of the COVID-19 fallout on the progress of the United Nations goals themselves. By supporting partner countries in

improving their tax administration, the EU can also help to create a better global environment for businesses to invest, create jobs and innovate.

The Platform will be asked to look into the synergies between EU and partner countries' (especially, development countries) tax policies for a better and fairer business environment globally. Relevant questions may include: How to support domestic resource mobilisation in developing countries and provide technical assistance? What is the impact of EU tax policies on developing countries? Where should decisions on international taxation be taken, at which level?

Question 4: With this section of the programme we leave the Single Market and the EU and look beyond: it puts forward ideas and suggestions for topics of international taxation, which are closely linked to international economic activity. When it comes to what is often called the "external strategy" of EU tax policy, are there some questions and issues missing here in your view, especially in the paragraphs in bold? If so, what are these issues and why do you believe they should be explicitly mentioned?

5. A FLEXIBLE, OPEN AND INCLUSIVE PLATFORM

This programme is not a fixed itinerary. It may be changed and updated to take into account new tax topics and policy objectives, which may emerge over the next years. The Platform can also discuss other issues in the field of tax good governance and taxation, in line with new developments. Members are encouraged to put forward topics that they may consider relevant to discuss in the Platform.

The Commission will also keep Members updated on the latest state of play in the work to deliver on the Action Plan for Fair and Simple Taxation supporting the Recovery Strategy, the Communication on Tax Good Governance in the EU and beyond, and other initiatives of interest to members (e.g. directives on administrative cooperation).

5.1 How to ensure openness and synergize between tax and other policies

Moreover, the Platform should go the extra mile to look beyond taxation. Tax policy is not an isolated area of work: the Platform may wish to invite to its meetings experts from areas such as the green economy and climate change, digital society and economy, social policies, anti-money laundering and financial crime, trade and customs, strategic foresight⁶ - as a new compass for EU policies in the aftermath of the pandemic etc. (just to name a few other important policy areas). In this way, voices of experts from areas other than taxation can mingle with those coming from the tax community, and eventually contribute to further synergies and cross-fertilisation among areas, for better, more effective and efficient EU policies.

Question 5: Are there some areas of policy or of society which in your view should be mentioned here explicitly, in addition to those already referred to? If so, why?

⁶ The Commission published its first Strategic Foresight Report last September. Please see original webpage: https://ec.europa.eu/info/strategy/priorities-2019-2024/new-push-european-democracy/strategic-foresight/2020-strategic-foresight-report_en

6. TURNING THE PROGRAMME INTO ACTION

This programme puts forward questions and topics for discussion within the Platform for the next years. Other questions may be raised if need be. The programme remains flexible. How to convert the outcome of such discussion into concrete policy input?

The Platform will play a role in policy design, as part of the of **consultation processes** for new initiatives.

The Platform will provide feedback and contribution on policy implementation and evaluation. For instance, the Platform will be consulted when it comes to backward looking **evaluations** of initiatives.

Meetings are organised once per quarter. This means about 16 meetings from 2020 to 2024 included.

Before each meeting, the Chair will pick up one or more questions out of those put forward in this work programme (or other questions, if need be) and invite inputs from Members before the meeting.

The Chair, assisted by the Secretariat of the Platform, will draft a discussion document for the meeting, with questions for discussion, using input received as a basis.

After the meeting, the Secretariat will issue a revised version of the meeting document, taking into account the discussion.

At the meeting, contributions from members and/or the Commission or other invited speakers (presentations etc.) will be welcome.

To increase transparency and visibility of the work of the Platform, a regular, yearly report will be prepared to inform interested stakeholders about topics discussed and conclusions made.

Appendix 1 Questions for work put forward in this document

Growth-friendly and fair taxation: can it be done?

1. How to discourage tax avoidance practices and tackle harmful tax competition?
2. How to provide tax related incentives for growth and for the twin transition towards a greener and more digital economy?
3. How to facilitate cross-border business activity?
4. What is the effect of EU tax intervention on businesses (including SMEs)? What is the impact in terms of collected revenues? Can such impact be estimated, quantified, monetised?
5. How can tax administration make better use of digital technology to both support and control taxpayers?
6. Transparency: how to improve this principle not only between tax administrations but also for the general public?
7. How to roll-out programmes of cooperative compliance between businesses and tax administrations?
8. How to move forward on ensuring that taxpayers' rights are respected, disputes avoided and there is, is there early tax certainty on how much tax businesses are due to pay?

Multinational business, multinational taxation

9. How to ensure that the EU listing process covers all relevant partner countries?
10. How to ensure a better coordination with the anti-money laundering listing process?
11. Should the criteria of the EU list be changed?
12. What about defensive measures, including limits to access to EU funds?
13. How to support domestic resource mobilisation in developing countries and provide technical assistance?
14. What is the impact of EU tax policies on developing countries?
15. Where should decisions on international taxation be taken, at which level?

Appendix 2 Overview of the Work Programme of the Platform

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Key questions for discussion put forward by the work programme, clustered around 2 main areas:

- a) Growth-friendly and fair taxation
- b) Multinational business, multinational taxation

16

meetings in 2020-2024. Discussions on meeting documents prepared taking into account Members' contributions.

Regular **reports** on the work of the Platform

Input to **consultations** on new EU tax policy initiatives

Contribution to **evaluations** and feedback / opinion on **policy implementation**

Presentations of relevant work and initiatives by members, **dialogue and interaction** with non-tax world