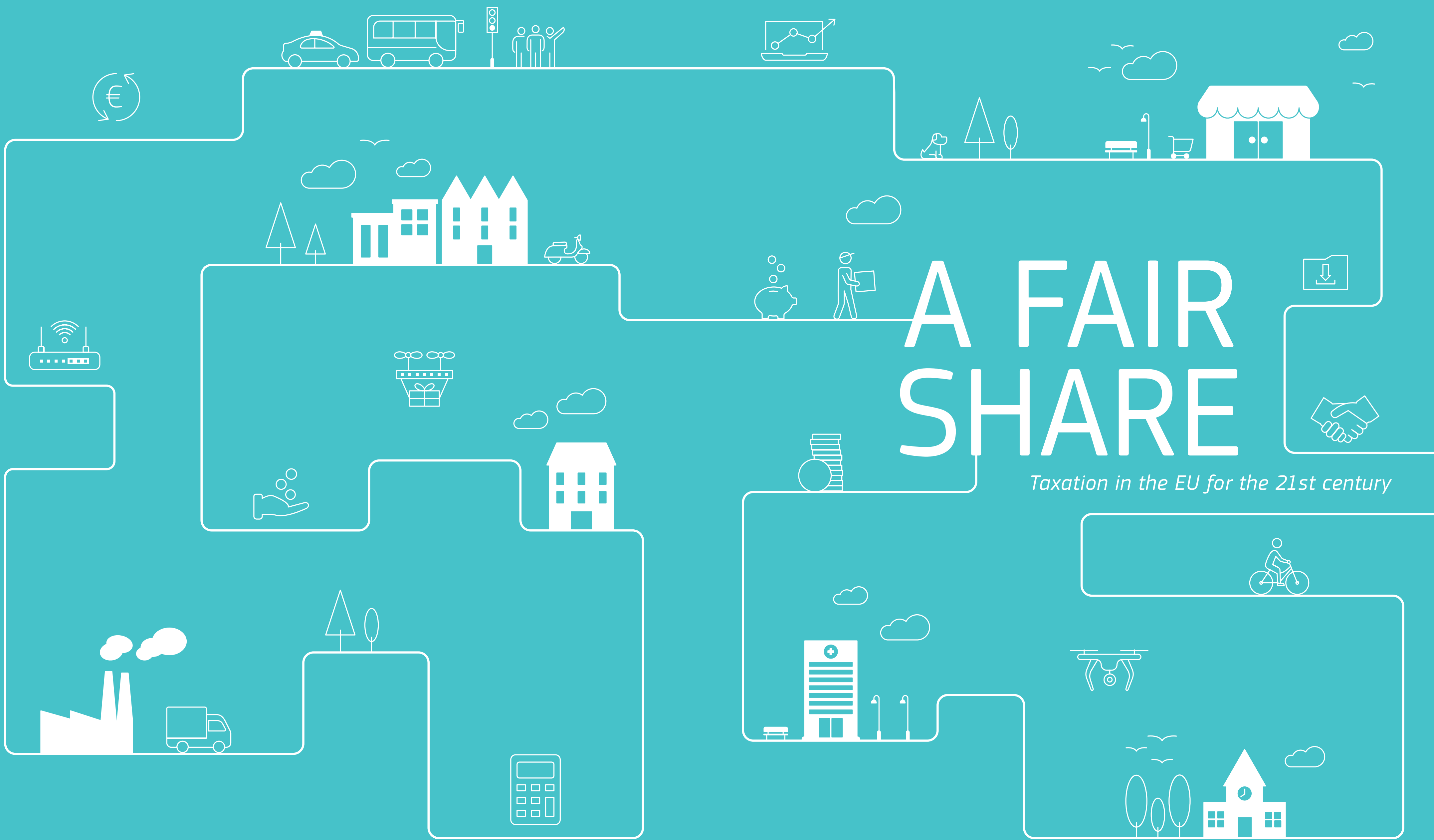
European
Commission



# A FAIR SHARE

*Taxation in the EU for the 21st century*

*I want Europeans to wake up to a Europe where we have managed to agree on a strong pillar of social standards. Where companies' profits will be taxed where they were made.*

*President of the European Commission, Jean-Claude Juncker*

# CONTENT

# WHY FAIR TAXATION COUNTS

*With its ambitious agenda to work towards growth, boosting investments and deepening the integration of economies, the European Commission aims at meeting demands for social justice and economic growth also through fair and effective tax coordination. Together with the European Union's Member States, the European Commission is working to make tax systems more transparent, more accountable and more effective across the board.*

**TAXATION IS A VITAL PART OF ANY FUNCTIONING SOCIETY.**
It allows citizens to access quality education, health care and public infrastructure. It helps provide a safety net for the more vulnerable and a good tax mix can support social fairness.

**FAIR TAXATION IS CENTRAL TO THE EU'S SOCIAL AND ECONOMIC MODEL.**
Taxation plays a crucial role in upholding a strong and sustainable economy, a thriving business environment and social justice.

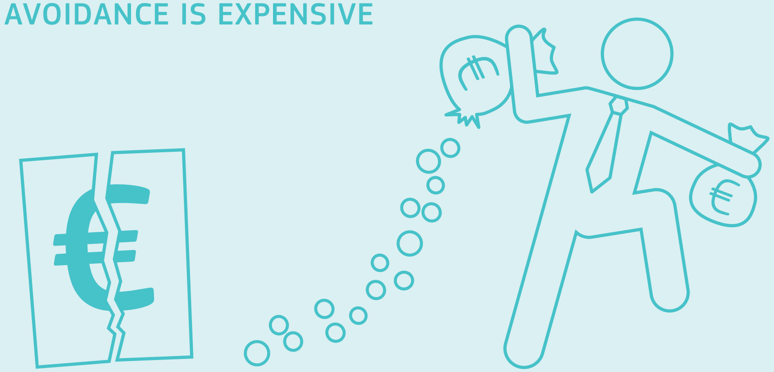
**FAIR TAXATION IS THEREFORE ESSENTIAL.**
For sustainable revenues, the European social model, a competitive business environment and overall taxpayer morale.

**TAX EVASION AND AVOIDANCE POSE MAJOR RISKS TO EU MEMBER STATES**
economically, politically and socially. They eat away at national revenues – reducing the funds available for public spending and investment.

**TAX ABUSE UNDERMINES THE SOCIAL CONTRACT**
between citizens and their governments. Often governments compensate for the revenue losses by taxing citizens, workers and small businesses more. This undermines the principle of fair burden sharing.

**TAX AVOIDANCE DISRUPTS FAIR COMPETITION**
between businesses in the Single Market. Many smaller or local companies suffer serious competitive distortions due to the aggressive tax practices of their larger rivals.

## TAX AVOIDANCE IS EXPENSIVE



## THE EUROPEAN PARLIAMENT ESTIMATES:

**50–70**

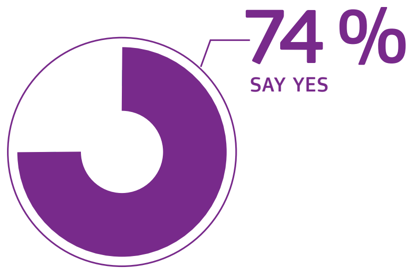
BILLONS OF EUROS ARE LOST TO TAX FRAUD, EVASION AND AVOIDANCE EVERY YEAR

# FAIR TAXATION IN THE EU

Fair and effective taxation is a top political priority for the European Commission. It is linked to the EU's highest objectives, including a just society, a strong Single Market, and a stable economy built on growth, jobs and investment.

EU citizens and businesses have grown increasingly frustrated with the tax avoidance of certain companies and the tax evasion of certain individuals. They demanded change to the tax rules to prevent such activities. The Commission responded with an ambitious tax reform agenda, including tough new measures to fight tax evasion and avoidance.

As a result, major strides have been made towards creating a fairer, more effective and more growth-friendly tax environment in the EU.




**SHOULD THE EU DO MORE TO FIGHT AGAINST TAX FRAUD?** Source: "2016 Eurobarometer"

**THE EU AGENDA FOR FAIR TAXATION IS BASED ON THREE PILLARS:**

**TRANSPARENCY:** "Tax transparency is absolutely indispensable to combat opaque and abusive tax practices." *Commissioner Pierre Moscovici*

TAX

**EFFECTIVE TAXATION:** "People have to trust that the tax rules apply equally to all. Companies must pay their fair share of taxes, where their real economic activity is taking place." *Vice-President Valdis Dombrovskis*

**GLOBAL GOOD GOVERNANCE:** "A strong society depends on fair taxation. It's an issue that belongs at the very top of our agenda, not just in Europe but throughout the world." *Commissioner Margrethe Vestager*





# TAX TRANSPARENCY

**June 2013:** Information Exchange on Financial Accounts

**March 2015:** Transparency Requirements for Tax Rulings

The Commission launched its fair taxation campaign with a **Tax Transparency Package** in 2015. Since then, major progress has been made in increasing openness and cooperation between Member States on tax issues. Member States have agreed to automatically exchange information on **tax rulings** and on multinationals' **country-by-country reports**. New EU rules will also ensure that tax authorities have **access to anti-money laundering information.** EU countries have started to share information on citizens' financial accounts abroad too, putting an **end to bank secrecy** in the EU. The Commission has also proposed **public country-by-country reporting** for multinationals and transparency **requirements for intermediaries,** to provide greater oversight of companies' and advisors' activities.

**May 2015:** EU signs Transparency Agreement with Switzerland

**October 2015:** EU signs Transparency Agreement with Liechtenstein

**December 2015:** EU signs Transparency Agreement with San Marino

**January 2016:** Country-by-Country Reporting on Multinationals

**February 2016:** EU signs Transparency Agreement with Andorra

**April 2016:** Public Country-by-Country Reporting on Multinationals

**July 2016:** New Anti-Money Laundering Rules

**July 2016:** EU signs Transparency Agreement with Monaco

**June 2017:** Transparency Requirements for Intermediaries

# EFFECTIVE TAXATION

A goal in EU tax policy is to ensure that all companies pay tax where they make their profits.

To help achieve this, the Commission proposed the Anti-Tax Avoidance Directive (ATAD 1&2), which sets legally-binding anti-abuse measures for the entire EU. These new measures will enter into force from 2019, shutting down the main channels for tax avoidance that exist today.

A review of preferential regimes (patent boxes) and transfer pricing rules was also launched, to prevent tax avoidance through these channels.

In addition, a number of state aid cases have challenged unfair tax benefits that some EU countries gave to multinational companies.

## WORKING FOR FAIR TAXATION IN EVERY EU COUNTRY

The economic crisis highlighted how intertwined the economies of all EU countries are. It showed that they need to work together if they want sustainable and inclusive growth in Europe. Therefore, EU countries agreed to coordinate their economic policies closely, through a process known as the 'European Semester'.

In the European Semester, the Commission identifies economic and social priorities for the EU and each Member State for the year ahead. Taxation and lately also aggressive tax planning feature highly in those publications, including recommendations on how tax systems can be made fairer, where needed.



# GLOBAL TAX GOOD GOVERNANCE

Tax evasion and avoidance are global problems, which need to be tackled globally. The EU has taken concrete action to implement international tax good governance standards. It expects its global partners to do the same, for a fair and level playing field worldwide.

In January 2016, the Commission presented a new External Strategy for Effective Taxation. This aims to strengthen cooperation with the EU's global partners on fair tax matters. The Strategy also sets out how the EU should deal with countries that refuse to respect international good governance standards.

The EU listing process was designed to deal with non-cooperative tax jurisdictions. The first EU blacklist was agreed by Member States in December 2017. It was published together with a "grey" list of countries that pledged to make improvements to their tax systems, in reaction to the listing process. The EU continues to monitor the situation and update the blacklist on a regular basis.

The EU also gives high priority to supporting developing countries in the international campaign for fair taxation. The EU's "Collect More, Spend Better" strategy aims to boost EU support to low income countries in tackling tax abuse and collecting sustainable revenues.

# COMMON CONSOLIDATED CORPORATE TAX BASE (CCCTB)

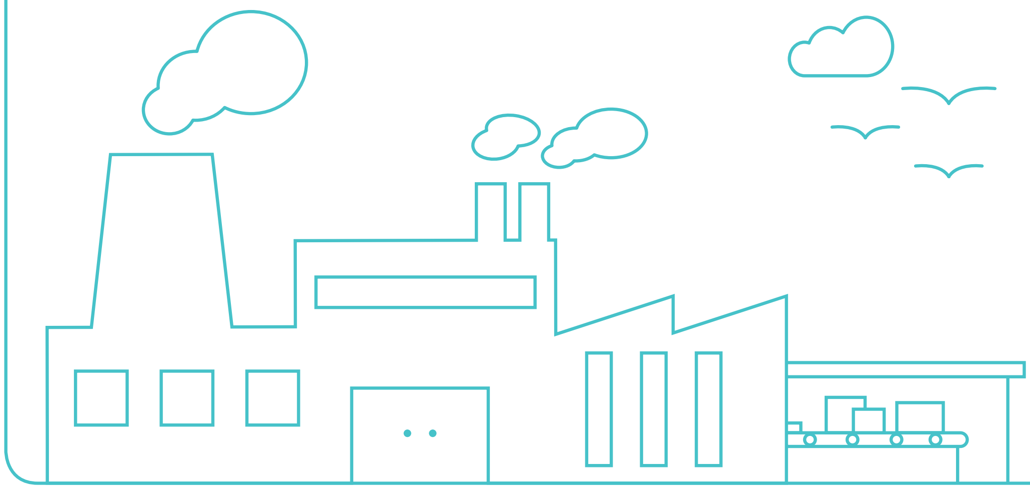
Today's corporate tax rules are outdated, cumbersome and vulnerable to abuse. The EU needs a tax system that can stand-up to the challenges of the modern economy and support the Union's wider policy goals. Europe needs a new, modern, dynamic and fundamentally fair corporate tax system, which will help the Single Market to thrive in the future.

The Common Consolidated Corporate Tax Base (CCCTB) is the answer. The CCCTB was first proposed in 2011 and relaunched in an improved format in 2016. It is the model of a fair and growth-friendly corporate tax system.

On one hand, the CCCTB will make it much easier to do business in the EU. There would be just one rulebook for companies to calculate their taxable profits throughout the EU, and a one-stop-shop system to file tax returns. Companies could offset losses in one part of Europe against profits in another – just as they do at national level. And the CCCTB offers tax incentives to companies investing in growth-friendly activities, such as R&D.

At the same time, the CCCTB will help cut out tax avoidance. The largest multinationals would all be covered by the CCCTB system, and the major channels of tax avoidance would be removed. The CCCTB's robust anti-abuse measures would also help to stop companies from shifting profits out of the Single Market.

The CCCTB is the fair, effective and competitive tax system that the EU needs for the future. It is now being negotiated by Member States, who must agree on it unanimously.



The CCCTB could lift growth by up to

**+1.2 %**

Number of corporate tax rules in the EU today:

**28**

The CCCTB could lift investment in the EU by up to

**+3.4 %**

EU businesses could cut their compliance costs by

**-2.5 %**

Number of corporate tax rules with CCCTB:

**1**

# DIGITAL TAXATION

Globalisation and digitalisation bring progress by creating jobs, advancing innovative ideas and empowering individuals. At the same time, they change the way we work, consume and produce. Digital companies are growing faster than the economy as a whole – and this is a trend that is only set to continue.

In the EU, the Digital Single Market has been launched, to take full advantage of the digital transformation that impacts our lives today. The EU's work for fair, effective and competitive taxation must be connected to these developments.

The Digital Single Market can only deliver its full potential if it is based on a fair, stable and sustainable base.

Today's corporate tax rules are ill-equipped to cover the dynamic, intangible, user-driven and mobile nature of digital companies.

In a digitalised world, it can be difficult to work out where and how profits have been made, and where they should be taxed. This means that some companies can make vast profits in the EU, without paying any taxes there.

Taxation must be adjusted to the digital revolution. That is why, in spring 2018, the Commission proposed EU solutions for the fair and effective taxation of the digital economy. This included a fundamental reform of the way companies are taxed in the Single Market – to better reflect new forms of business. It also included a new Digital Services Tax. This will apply to the hardest-to-capture digital activities, while the comprehensive reform is being put in place.

> *"We want to create a level playing field so that all companies active in the EU can compete fairly, irrespective of whether they are operating via the cloud or from brick and mortar premises.*
>
> *Commissioner Pierre Moscovici*

## EU CORPORATE TAX REFORM

CCCTB*

| | | | | |
|---|---|---|---|---|
| Country-by-Country Reporting: Tax Authorities | Anti Tax Avoidance Directives | Automatic Exchange of Information on Tax Rulings | Disclosure Requirements for Intermediaries* | Automatic Exhange of Information on Financial Accounts |
| Public Country-by-Country Reporting* | Tax Treaties Recommendation | More Scrutiny on Trusts and other Companies (AML Rules) | Greater Transparency on Beneficial Ownershop | Financial Regulation: Good Governance in EU Funds |
| EU List of Non-Cooperative Third Countries | Reform of Code of Conduct for Business Taxation | Improvements to Transfer Pricing System | New Rules for Patent Boxes | Double Taxation Dispute Resolution Mechanism |

DIGITAL TAXATION*

* = still to be adopted by Member States

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*"We are bringing about a paradigm shift in EU taxation – one that will make it more transparent, more efficient and more business friendly. We must continue to work together as a Union to achieve this. And we must continue to push our international partners do the same.*

*Commissioner Pierre Moscovici*