



FAIR TAXATION SEMINAR

19 September 2018, Rome, Italy

Summary Report

On 19 September 2018, the European Commission's (EC) Directorate-General for Taxation and Customs Union (DG TAXUD) organised the fourth of a series of five Fair Taxation Seminars, in Rome, Italy. The seminar gathered 67 participants representing national policy-makers, civil society organisations, academia, businesses, legal experts as well as members of the European institutions.

The discussions were primarily intended as an exchange of views between the European Commission (EC) and Italian public authorities, civil society and the private sector, with the ultimate goal of reaching a better mutual understanding of both national and European-level challenges and opportunities in rendering taxation policy fairer and more efficient.

The seminar was moderated by **Mr Steven Libbrecht**, moderator at Prospex bvba.

Welcoming the participants, **Ms Antonia Carparelli**, on behalf of the European Commission's Representation in Rome, reiterated the commitment by President Juncker in the area of fair taxation. At the same time, new proposals covering corporate taxation and taxation of the digital economy need to translate into concrete actions and achievements, Ms Carparelli urged. She also welcomed the strong and active contributions by civil society to the taxation debate, paving the way for new synergies between policy proposals and civil society's advocacy and communication efforts.

Following Ms Carparelli's welcoming words, **Mr Valère Moutarlier, Director for Direct Taxation at the European Commission**, opened the

seminar. Mr Moutarlier commented that while the understanding of what constitutes “fair” taxation differs from Member State to Member State, and rightly so, there are three commonalities that emerge across the local, national and European exchanges.

Fair taxation is considered vital in delivering social justice: a small entrepreneur should not carry the burden of tax avoidance by multinational firms. Secondly, fair taxation plays an essential role in ensuring a sustainable and competitive economy in Europe. Lastly, Mr Moutarlier argued, fair taxation is the necessary instrument to guarantee a level-playing field for all companies across the Europe, whilst enhancing the competitiveness of the single market.

Mr Moutarlier also introduced a number of initiatives taken throughout the mandate of the Commission, such as enhanced administrative coordination and exchange of tax information within the EU, as well as a new set of rules to prevent tax evasion and to reduce compliance costs for businesses in the single market. More remains to be done, however, as Mr Moutarlier encouraged Member States to speed up the negotiations on the proposed Common Consolidated Corporate Tax Base (CCCTB) as well as on the directive on digital service tax, which is also the intention of the Austrian presidency.

Finally, **Mr Moutarlier** highlighted a number of challenges and opportunities in reforming global taxation. In the EU, we must develop and deliver coordinated responses and maintain a close engagement in global fora such as the OECD and G20, he said, in order to keep pace with changing realities and tax policies across the world.

Panel discussion 1: Fair Taxation – Whose Responsibility?

Fabrizia Lapecorella, Director General, Ministry of Finance and Economy

Francesca Mariotti, Director, CONFINDUSTRIA

Mikhail Maslennikov, Policy Advisor, OXFAM Italia

Q1 Is the question of tax fairness best addressed at national, EU or international level?

The moderator introduced the pannelists, the format of the sessions and the first question.

Ms Fabrizia Lapecorella opened the debate by highlighting that we are operating in a context of globalisation, which inevitably sparks the need to establish synergies between the national, European and international levels. A single state cannot operate its tax policy efficiently if this policy is not systematically integrated in the fiscal frameworks of neighbouring countries.

Citing a good practise of international collaboration, Ms Lapecorella made reference to the Code of Conduct Group for business taxation, which has played an active role in promoting good governance in the fiscal area. The Code of Conduct Group urges Member States as well as non EU countries to abolish tax measures that constitute harmful tax competition and to refrain from introducing such measures in the future.

Ms **Francesca Mariotti** raised the question of what would constitute a fair contribution by every single individual, one that would cover the needs of our societal wellbeing as a whole. "Societal", however, has become local, national, European as well as international, rendering the debate on a "fair share" ever more complex.

Ms Mariotti distinguished between two core functions of taxation: distributive, related to the distribution of benefits, and redistributive, related to the promotion of equality. The Italian society is particularly characterised by low incomes, she argued, citing reports from the Court of Auditors. This has the important consequence that the redistributive function of taxation becomes overwhelmingly important, however, at the same time contributions from taxpayers remain limited.

Ms. Mariotti also advocated stronger measures against tax evasion in particular in Italy and highlighted that companies consider a fiscal system as fair also taking into consideration the level of taxation applicable to their competitors. Finally, she highlighted the complexities of levying taxes in the digital economy, with its new business models and more fluid forms of value creation which may not fit the current rules.

Concluding the first round of statements, Mr **Mikhail Maslennikov** insisted that reforms are needed on all three levels. He referred to the findings of a

survey carried out by Oxfam and Demopolis¹, wherein 82% of Italian citizens claimed that the current taxation system is “unfair”. This high percentage is connected, according to Mr Maslennikov, to high levels of tax evasion coupled with a poor redistribution capacity.

In the international arena, there is as of yet no agreed definition of a “fair” share, Mr Maslennikov declared. Still, a global taxation system is the only way forward in a globalised economy wherein economic activity occurs in various jurisdictions.

Furthermore, Mr Maslennikov applauded the work undertaken by the BEPS Monitoring Group, which was established to monitor the BEPS Action Plan to reform the taxation of transnational corporations. At the same time, the problems surrounding base erosion and profit shifting are far from being resolved. It also praised the EU listing process, saying that it has proven to be much more efficient than the OECD one. Mr Maslennikov also cautioned against aggressive tax planning and called for a citizenship-inspired call for action across Europe.

The debate then turned to the **audience**, which was asked to raise colour cards indicating whether they believed the question of tax fairness is best addressed at the national, EU or international level. The EU card was most prominently raised, yet also the national and international levels were present in the responses.

Participants made various comments accompanying their vote. It was argued that fiscal policy essentially falls within the scope of the national government and as do its collection and expenditure of revenues. One participant said that the redefinition of tax progressivity is part of the national legislator’s mandate. She expressed dissatisfaction with tax rates on capital being considerably lower than tax rates imposed on the income of individual persons: this is above all a national problem, she argued.

Another participant commented that inequality is essentially a cross-boundary problem, as it also involves inequality between different tax regimes. The European level functions as the right springboard towards reaching an international agreement.

¹ https://www.oxfamitalia.org/wp-content/uploads/2016/11/Risultati-Sondaggio-Demopolis_OXFAM.pdf

Furthermore, it was said that BEPS has highlighted the seemingly unsurmountable difficulties surrounding a global agreement. Therefore, integrating national proposals, such as the financial transaction tax, into a European framework might be a better way forward.

Finally, a participant expressed that fairness and equality also has repercussions on the framework and approach in which global tax policy is discussed. He argued that there is a contradiction between listing countries as non-cooperative jurisdictions whilst at the same time pleading for more enhanced collaboration.

Q2 What role does civil society have in promoting fair taxation?

Before turning to the panellists, **participants** in the audience kicked off the debate on the role of civil society in the development of a fairer taxation policy. The comment was made that civil society is more than the individual taxpayer: it is various groups ranging from the family to the economic sector. However do all these groups have a voice on the European level, and is there a genuine exchange amongst them? It is important, a second participant concurred, to carefully construct such communication channels, which are a key feature of the welfare state. A third participant voiced the concern that in today's individualistic societies, scant attention is paid to collective needs and interests and to the very concept of equity and equal contribution.

Ms **Lapcorella** stated that civil society plays a fundamental role in shaping policy domestically, as well on European and global levels. However, while the European Commission has steadily sought the dialogue with civil society groups but also with technical experts when it comes to tax governance, this engagement has not always translated into a wider communication effort towards European citizens.

Ms **Mariotti** completely agreed on the essential role of civil society in enabling a momentum for informed policy-making. She also expressed satisfaction as to the participation of the private sector in the dialogue with policy-makers and public institutions. We should nonetheless not overlook, Ms Mariotti cautioned, the very principle of the election vote, a key act of

participation, the value of which may seem troubled in the eyes of today's citizens.

Finally, Mr **Maslennikov** referred to the recommendations on tax reporting issued by the Tax Justice Network, an international advocacy group made up of researchers and specialists. Such work illustrates the crucial mission of civil society, Mr Maslennikov argued, which is to research and to inform, not only from a global point of view but also when it comes to the technicalities and complexities underlying taxation policies.

At the same time, civil society groups need to popularise the debate, so that taxation can be truly discussed by the citizens affected, and not only by specialists. Mr Maslennikov expressed his gratefulness to the Italian Ministry of Economy and Finance, as he felt that their conversations occurred on equal footing and with respect for the different levels of responsibility.

Panel discussion 2: Fair Taxation – The Obstacles and the Opportunities

Q3 What measures need to be taken to ensure fairer taxation, now and in the future?

Q4 How can the various actors work together to deliver this?

Francesca Gastaldi, University La Sapienza

Anna Lisa Mandorino, Deputy Secretary general, Cittadinanzattiva

Ivan Vacca, Director, ASSONIME

Kicking off the second panel discussion, Prof. **Francesca Gastaldi** said that one of the intricacies surrounding fair taxation is that, while the design of fiscal policy falls within a national framework, the respect of the principle of fairness demands an international consensus: fair is only fair when it is upheld horizontally, across jurisdictions.

Fairness indeed relates to the correct distribution of revenues, within, but also, across individual states, Prof. Gastaldi mentioned, with reference to tax competition where governmental strategists design tax policy in order to create a comparative advantage over their neighbours or other states in the global arena. In order to tackle the harmful effects of such competition,

Prof. Gastaldi advocated an enhanced exchange of information as well as a stronger coordination on the European level.

Ms **Anna Lisa Mandorino** highlighted the relationship between fair taxation and the fight against inequalities. While Italy can pride itself on excellent welfare and healthcare systems, the country faces strong inequalities amongst its citizens. In this context, Ms Mandorino referred to a study conducted by the European Parliamentary Research Service in 2016, which estimated that the loss of tax revenue to the EU due to aggressive corporate tax planning is around 50 to 70 billion euros per year². Inequalities are becoming ever more profound, Ms Mandorino warned, with reference to the campaign "Ridateci" ("Give us back") that her association is leading in Italy against tax evasion.

Lastly, Ms Mandorino recalled the period of the introduction of the euro, when faith in the EU and its institutions was considerably high amongst Italian citizens. Today this faith has turned into hostility. The way forward, according to Ms Mandorino, is a stronger communication and engagement effort towards every individual citizen.

Mr **Ivan Vacca** called for an analysis that goes to the root causes of taxation systems that are considered to be "unfair". It seems that attempts to levy taxes on profits generated via the digital economy face many obstacles and uncertainties, not least when it comes to the location of value creation. The activities of technology companies in particular are scattered around the globe, yet without any physical presence.

Mr Vacca identified two core themes within the fair taxation debate. The first is the Common Consolidated Corporate Tax Base (CCCTB) and to what extent it will bring benefits to corporations in Europe. Also, it is important to reflect on the fundamental transition that the CCCTB would set in motion: from the nation-state levying income tax as the centre of gravity, to a coordinated mechanism that defines companies' taxable profits across the EU.

The second theme is that of transparency. CCCTB will require advanced information sharing between Member States, but what about civil society's

² <http://www.europarl.europa.eu/legislative-train/theme-deeper-and-fairer-internal-market-with-a-strengthened-industrial-base-taxation/file-quantification-of-the-scale-of-tax-evasion-and-avoidance>

access to this information? It is important to consider the types of data involved in country-by-country reporting and in the administrative coordination and exchange, as certain pieces of information are highly sensitive.

Following the second panel discussion, **participants** split up in smaller groups and debated with their peers on the above two questions. A number of impressions and results were shared back with the plenary by the groups. Moreover, participants were asked to note down further feedback on separate "feedback sheets". A selection of highlights and key messages received through these sheets can be found annexed to this report.

Formally closing the Rome Fair Taxation Seminar, Mr **Valère Moutarlier** shared his impressions of the interactive debates, wherein room was given to different interpretations of the concept of fairness. According to Mr Moutarlier, the right definition going forward is essentially a combination of the various concepts, from redistributive capacities to ensuring a level-playing field for business and trade.

It is important to focus on corporate taxation, Mr Moutarlier acknowledged, yet at the same time a just, efficient and comprehensive fiscal agenda needs also to look into other domains as well, such as VAT and in particular the extent to which VAT is prone to fraud in the European Union.

As for the levels of intervention, Mr Moutarlier recognised that measures are needed on all levels, as shown during the vote by the seminar audience. Still, such multi-level governance requires a clear understanding of each actor's scope, focus and responsibility. While the EU's role is very much embedded in guaranteeing the proper functioning of the single market and its freedoms, the EU needs to work in collaboration with a variety of actors, through participatory methods, to fully deliver on its objectives.

Concluding the seminar, Mr Moutarlier stressed that the dialogue works both ways: while civil society feeds the debate from the bottom-up, Europe's leaders and policy-makers have the responsibility to duly inform and provide actions that are rational, accountable and evidence-based.



Disclaimer

This report is based on various notes taken during the conference by Prospex. It does not purport to reproduce in extenso all debates and intervention. None of the messages conveyed in this report may in any way be interpreted as stating an official position of the European Commission.