



FAIR TAXATION SEMINAR

8 June 2018, Paris, France

Summary Report

On 8 June 2018, the European Commission's (EC) Directorate-General for Taxation and Customs Union (DG TAXUD) organised the third of five Fair Taxation Seminars envisaged over the course of 2018 in several EU Member States in Paris, France. The seminar gathered around 100 participants representing national policy-makers, civil society organisations, academia, businesses, as well as members of the European institutions.

The discussions were primarily intended as a knowledge exchange between the European Commission (EC) and French public authorities, private sector and civil society stakeholders with the ultimate goal of reaching a better mutual understanding of both national and European-level challenges and opportunities in introducing fairer taxation policies.

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

Welcoming the participants, **Ms Agnès Thibault**, on behalf of the European Commission's Representation in France, highlighted the remarkably swift adoption by Member-States of the bulk of initiatives in the field of fair taxation that were introduced by the European Commission throughout the past five years. She stressed the timely and highly relevant nature of the taxation debate, and welcomed the dialogue with expert stakeholders, civil society organisations, as well as academic and business representatives.

Following Ms. Thibault's welcoming words, **Mr Valère Moutarlier, Director for Direct Taxation at the European Commission**, opened the seminar. Mr Moutarlier applauded the strength of the French-EU partnership in delivering the European fair taxation agenda, and thanked the French representatives for their solid and consistently constructive work in achieving fiscal convergence and tax base harmonisation across Europe, in particular in the digital economy.

Our current taxation framework, Mr. Moutarlier said, is no longer fit for purpose in the 21st century with its new value drivers and business models. Moreover, the fragmented nature of the single market leads to a deepened vulnerability to tax fraud.

Mr Moutarlier then introduced a number of concrete legislative proposals proposed by the European Commission which were successfully adopted by EU Member States, all within the unanimity rule framework. These include the automatic exchange of tax information within the EU, new reporting initiatives for companies, and new transparency rules for tax advisers in the EU. Yet the work goes beyond European boundaries, such as the OECD's tax haven list as well as the efforts to improve good governance across the globe.

Mr Moutarlier acknowledged that more efforts need to be done in order to address taxation challenges in a digitising economy, in particular to review the definition of taxable presence and permanent establishment, so that taxes can be levied where value is created. In doing so, new factors such as the numbers of registered users could be taken into account. Mr. Moutarlier concluded his argument by referring to the Common Consolidated Corporate Tax Base (CCCTB), inviting all EU Member-States to accelerate the discussions on the relaunched format of the CCCTB.

Finally, Mr Moutarlier stressed that the ongoing stakeholder dialogues, on the local and national level as with global actors such as the G20 and OECD, are indispensable in enabling a well-informed, nuanced and constructive debate around fair taxation.

Panel discussion 1: Fair Taxation – Whose Responsibility?

Laurent Martel, Tax policy adviser to the Prime Minister

Michel Guilbaud, Director General of the MEDEF

Lison Rehbinder, Coordinator at French Tax Justice Platform, CCFD-Terre Solidaire

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.

Mr **Laurent Martel** opened the debate by introducing the complexities that underpin the discussions and legislative efforts towards fair taxation. While there are divergent domestic answers to the taxation of personal

income, corporate and capital income, the universality of the issue of fiscal fraud cannot go unnoticed. Tax fraud blurs the boundaries between countries and points towards growing global inequalities. Indeed, over half of the assets held in tax havens belong to 1% of the world's richest 1%, Mr Martel said, citing a study by the economist Gabriel Zucman. Referring to the European list of tax havens, Mr Martel stressed its provisional and evolutionary nature, explaining that the work is ongoing.

Which actor is best-positioned to offer solutions? With limited means of action in the Member-States, it is the European Union that needs to accelerate its efforts, Mr Martel argued. With a stronger coordination amongst Member-States and in close dialogue with the OECD, we can achieve a European consensus on taxation in the digital economy – which would in turn offer a prelude to a global agreement.

Mr **Michel Guilbaud** offered a discourse interwoven with philosophical notions, questioning participants' understanding of *justice* and *equality* and their meaning for taxation in France and beyond. Economically, he argued, it is not sensible to examine the "equality" between the tax contribution of households and that of enterprises. Rather, when assessing what is a "fair share", the French stakeholders need to assess the state of their neighbouring economies and fiscal systems. Mr Guilbaud expressed concern that France has the highest tax-to-GDP ratio across all OECD-countries. He drew the comparison with Germany, where the tax ratio is around 10% lower, creating more value that can be invested.

Mr Guilbaud also stressed that not only France's large companies are concerned by the matter of fiscal justice and that we should not overlook the perspectives of SMEs, who suffer from the divisive effects of renewed fiscal competition, with an increasingly technological outlook, across the European continent. For SMEs in particular, demands of increased transparency can entail threats to their position vis-à-vis their competitors. We should therefore be careful to preserve the balance between transparency and confidentiality.

Concluding the first round of statements, **Ms Lison Rehbinder** insisted that while reforms are needed on all three levels, the international level is key in taking action. The sheer scale of tax evasion, as evidenced by several data leaks in recent years, is proof that a global reform is needed, to be carried out at UN-level. Ms Rehbinder stressed the complex nature of our taxation system and called for a separate entity to be set up within the UN, in charge of simplifying the international tax system and rendering it more efficient.

Transparency is an absolute priority for the platform of NGOs that Ms Rehbinder represents. This also entails a European willingness to address tax havens on European soil, she said. The EU's tax haven "blacklist" does

not offer a structural solution to tackling the problem, she argued, as it does not go beyond a “naming and shaming”-approach.

As for the national level, Ms Rehbinder welcomed the creation of the Information Mission, as part of the Parliamentary Commission on Finances, that examines the role and means of the administration in the fight against fiscal fraud. France can take on a leadership role, she advocated, as it did in the case of banking transparency.

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 national, EU or international level. A large part of the audience showed the EU-card, with one participant saying “the EU offers a critical mass and the necessary size to engage with the global level”. Others voted for the national level, saying “justice is a national responsibility. For us in France, our three values and liberties are at the core of the matter of *fair* taxation”. A second participant having raised the national card argued that “we should not neglect the fact that taxation is a tool for competitiveness”. Lastly, audience members having raised the international card expressed that “Brexit has shown that Europe is not alone in the arena. We can only meaningfully deal with tax competition on a global scale”.

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. A journalist said that, having compared the American and European systems for over eight years, she is surprised to see the outrage by NGOs and civil society organisations, as the corporate tax ratio divergence between the US and the EU was already well-known before the data leaks and ensuing scandals. Another participant expressed concern that, while the EU has listed states on its “blacklist” of tax havens, there was no similar exercise carried out for multinational companies.

Responding to the criticism, Ms Rehbinder stated that the advocacy and campaign efforts carried out by civil society date back to 2005. In the meantime, more clarity has been reached on the issue of tax evasion, thanks to the role of whistleblowers who, today, are in need of police protection, she pleaded.

Mr Martel said that civil society has a crucial role to play, as political pressure helps to improve the necessary analysis and research. He also said that the French Anti-Fraud Plan includes a provision to publish the names of severe fraudsters, in order to strengthen transparency.

Finally, Mr Guilbaud equally acknowledged the role of civil society and the need for transparency. Companies and business do benefit from clear transparency provisions, he said, in particular in an era of cybersecurity attacks.

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?

Bénédicte Peyrol, Member of the National Assembly

Alexandre Maitrot de la Motte, Professor of EU Tax Law, U. of Paris-Est Créteil

Ingrid Feuerstein, Journalist Budget and Taxation at Les Echos

Ms Benedicte Peyrol thanked the Commission for initiating the important debate on the complex concept of fair taxation, redistribution and shared decision-making. She explained that the first and foremost purpose of taxes – to finance the state administration costs – has been transformed into a political objective with multiple European and international levels. She emphasized the significance of seizing the ongoing momentum following the financial crisis of 2009, in order to strengthen multilateral cooperation through organisations such as the OECD, where emerging economies such as China, India and Brazil are included in the conversation. Ms Peyrol warmly applauded the Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI), but acknowledged the difficulties to multilateralism in a context where the US withdraws from international agreements and where a swift digitisation in the economy is difficult to monitor.

Regarding the future of taxation, Ms. Peyrol encouraged stakeholders to rethink the tax system by taking into consideration long-term challenges such as climate change, digitalisation and combating inequality. She concluded by saying that in order to achieve fair taxation, every citizen needs to be informed and able to understand his/her rights and obligations.

The word was then given to **Mr Alexandre Maitrot de la Motte** who expressed his gratitude for the opportunity to discuss tax matters outside of the “tax community bubble”. Mr Maitrot de la Mote explained that taxation is defined by two divergent scales and levels: the state scale on the one hand, characterised by a centralised approach, and the interstate

scale on the other hand, associated with European and international approaches.

He illustrated this dynamic by referring to the French Constitution, wherein tax fairness is said to take into account the distributive capacities of each citizen. On the international level however, tax fairness is defined as a system that does not impede trade or economic competition.

Harmonising taxation systems in Europe, Mr Maitrot de la Motte argued, implies a negative integration of national jurisdictions. As a result, the least wealthy and/or least advised taxpayers suffer through fiscal, social and environmental dumping. As a first step, it is vital to determine the social, fiscal and environmental standards we want to adhere to on the European level. In order to avoid gaps with neighbouring jurisdictions, reciprocity clauses need to be developed. All in all, Mr. Maitrot de la Motte suggested a multi-level regulation that would envisage measures at different scales, effectively implementing the principle of paying taxes where value is produced and leading the combat against tax evasion and fraud.

Lastly, **Ms Ingrid Feuerstein** said that, as a journalist, she welcomes the increased attention and public debate in recent years around taxation. Ms. Feuerstein believes this debate would benefit from more transparency and more solid and reliable data however, as well as more coherent methodologies in measuring and monitoring these data.

The root cause of the challenge, Ms Feuerstein said, is that the monetary union has been built without a parallel fiscal convergence. She regretted the fiscal competition among the EU's Member-States, wherein taxation is perceived and managed differently according to each national jurisdiction. This sense of competition is difficult for citizens to grasp. Faced with a continuously decreasing trend of taxes imposed on private companies over the last decade, the public debate tends to take sharp undertones, remarked Ms Feuerstein, with criticism of excessive tolerance by authorities. All in all, a European conversation is needed on minimum taxation and the alignment of tax bases.

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 Paris Fair Taxation Seminar, **Mr Valère Moutarlier** shared his impressions of the interactive debates, wherein matters such as good governance, simplification of tax regime, redistributive capacities, trade barriers and competitiveness came to the fore. We need to invest in fair taxation together, Mr Moutarlier stressed, so that we can achieve and preserve an inclusive society and a competitive economy, in which private entrepreneurs can innovate and prosper. Civil society has a triple role to play in this regard: to nourish and keep up the political momentum for change and decision-making, to provide expertise and analysis, and to constructively inform and educate. Mr Moutarlier encouraged all interested citizens and stakeholders to take part in the ongoing consultations, to offer creative solutions and engage with one another in the European debate on a more fair and efficient tax system.



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