



FAIR TAXATION SEMINAR

17 May 2018, Vienna, Austria

Summary Report

On 17 May 2018, the European Commission's Directorate-General for Taxation and Customs Union (EC DG TAXUD) organised a 'Fair Taxation Seminar' in Vienna, Austria. This seminar was the second of a series of five over the course of 2018 in several EU Member States. Around 80 participants were gathered, 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 and Austrian public authorities, private sector and civil society stakeholders. The goal was to reach a better mutual understanding of both national and European-level challenges and opportunities in introducing fairer taxation policies.

The seminar was opened and moderated by **Ms Katharina Faradsch**, researcher and moderator at Prospex bvba.

Welcoming the participants, **Mr Hatto Käfer, on behalf of the Head of the European Commission's Representation in Vienna**, highlighted the importance of the seminar's role in fostering educated opinion forming. He placed the seminar in the wider context of the previous stage of a stakeholder consultation process in 2017. Mr Käfer also explained the role of the European Union in the field of taxation policy. Given Member States' powers in the latter, he stressed the need for successful cooperation to address current and future challenges for fair taxation.

Following Mr Käfer's welcoming words, **Mr Heinz Zourek, former Director-General in the European Commission**, delivered the keynote speech. He emphasised both his support and the importance of an open public consultation on the topic. Mr Zourek noted that fair taxation is often only publicly debated when journalists or whistleblowers reveal sensitive information. There is a feeling of resignation among the civil society regarding cases in which unfair practices remain without consequences.

Mr Zourek explained that the EU is therefore looking at this phenomenon from a macro angle given survey results suggesting that ¼ of the population regard the topic of fair taxation to be an important one that should be better addressed. It would further be vital that companies have a **fair access to the market and competition**. The general economic goals would be to ensure a comfortable, positive and healthy climate for the innovation of tax systems.

Mr Zourek continued by pointing out the European Commission's recent initiatives in the field highlighting the capital markets union, the digital single market, as well as the European Investment plan. In the last five years, the EC has brought forward five big initiatives in the area of corporate taxation closely focussing on the principles of **i) transparency; ii) effective taxation; and iii) fair competition**. The three would be especially critical given the emerging and changing role of third countries. Moreover, technical developments linked to the emergence of new business models and dimensions will demand appropriate reactions. In this regard, the **Common Consolidated Corporate Tax Base (CCCTB)** would be an answer to companies shifting profits to other countries and could potentially neutralise this effect. Addressing digitalisation in a reasonable and clear way would however remain a challenge.

Yet, Mr Zourek argued, guidelines will not be effective enough if they only concern EU Member States. Rather, they should be accompanied by respective measures preventing the unequal treatment of Member States by third countries. While the former will be a challenging path, the digital tax is regarded as an intermediate step.

Panel discussion 1: Fair Taxation – Whose Responsibility?

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.

Both comments by audience members and the opening remarks by **Ms Evelyn Regner**, Member of the European Parliament, suggested that eventually "all layers are asked to act" (referring to international, European and national levels). Ms Regner stressed that one could not allow that "Facebook for instance pays no taxes while people, small and big companies pay their taxes in Austria". Arguing that national tax authorities are facing certain limits in their work and mandate, Ms Regner advocated for the cooperation of national, EU and global actors on the topic. She further stressed the need to abolish the rule of unanimity in Council decisions.

Taking up the audience's remarks from the previous session, **Prof Jeffrey Owens**, Director at the WU Global Tax Policy Center, challenged the

definition of fairness in the debate. He specified that tax havens have become “tax heavens” for some. “For enterprises, it depends on what form of enterprise you are but you should be subject to the same treatment”. In this regard, Prof Owens highlighted the example of the Luxembourg scandal as a “creative interpretation of the rules on a selective basis”. At the global level, one of the key challenges would remain in **reducing the “growing inequality between countries”**. Arguing that globalisation has brought “a billion people out of poverty – half of those in China, the other half in India”, Prof Owens advocated for the EU to set the tone in the debate around fair taxation. Further encouraging the EU’s engagement with NGOs and the civil society, he identified the EU’s push for fair taxation in the last five years as a **“success story”**. Prof Owens concluded by stressing the need for action at the national level. By citing Thomas Piketty’s analysis of wealth and income inequality, Prof Owens pointed to the importance of looking at the taxation of wealth.

“We have clearly heard in the opening statement where the responsibility lies – it is a national question with all its shades”, the third panelist, **Mr Paul Schmidt**, Secretary General at the Austrian Society for European Politics, remarked. Yet, he mentioned that it is important to have such discussions also with the European public as tax policy is also a European responsibility. Against this background, it would be key to have smart national tax policies, otherwise one would run into the risk of a race-to-the-bottom. Emphasising that national actors would be in the driving seat, Mr Schmidt identified the **role of the EU in setting the tone, as well as identifying gaps and room for action**. Hereby, the challenge would lie in national level actors pushing for short-term gains instead of the public’s wish for fair taxation. He further added that the relationship between taxes and the public’s life would be “too abstract” allowing for actors to exploit this gap. Mr Schmidt ended by advocating the creation and demonstration of a stronger and more direct link between the taxes collected and their respective benefit for the society.

Directly answering to Mr Schmidt’s remarks, **Prof Owens** objected that **national fiscal sovereignty** had “always bugged” him “because small countries don’t have that much fiscal freedom”. In this regard, the EU would be “at advantage because it has more fiscal sovereignty”. Three elements would be particularly important to examine – “how do you have a tax policy ensuring competitiveness, how do you ensure the single market and how do you ensure a fair outcome”.

Keynote speaker **Heinz Zourek** joined the debate, noting that action is needed on all three levels. Pointing to the legal dimension of the debate arguing that the search for an appropriate judicial solution for the described shifting of profits should not be an issue. He further argued that the taxes of those companies concerned should flow back into the collective budget of the Member States.

Panellists and audience members agreed with **Prof Owens'** remark that 'one way of how the EU can influence the public debate at the national level is to get into the debate of what is the role of taxation.' **Mr Schmidt** also noted that the discrepancy between the available instruments on the national and EU level has to be clearly communicated, otherwise one would create expectations that cannot be met.

He further stressed the role of the EU as the biggest single market globally and the role the **common consolidated corporate tax base (CCCTB)** and **transparency for profit-shifting** could play in this regard. Prof Owens stressed that the discussions might change drastically if new alliances between China and the United States were to emerge. Then 'we would no longer be the biggest single block and confronting both China and the US together could be a difficult situation'.

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

Panellists largely agreed that civil society has a crucial and important role in furthering the debate around fair taxation and the development thereof. Pointing to the example of the extracting industry, Ms **Evelyn Regner** highlighted the civil society's and the media's role in pressuring for reforms and educating the larger society. Thus, it would be crucial to not restrict NGOs in their work.

Agreeing with Ms Regner, **Prof Owens** added that 'without the pressure of the NGOs, the transparency would have not been there'. It was only through them that the governments 'came to discuss **country-by-country reporting** and disclosure agreements'. It would be through increased **transparency** that one would gain the trust of the broader society.

Taking up the previously mentioned points, **Mr Schmidt** stressed that taxation cannot be a one-way street. The role of the civil society and media would hereby be of vital importance bearing a great responsibility in translating complex topics into understandable language. An example for the latter can be found in the **Panama papers and Luxleaks**. Further, he added that the European Commission plays an equally important role in providing clear messages and transparent communication on taxation issues.

Ms Regner stressed a growing inequality and disparity between the wealthy and the less wealthy to which **Prof Owen** agreed saying: 'We need to rethink our approach as to how we tax capital and wealth'.

Noting that civil society plays a significant role in furthering the debate around fair taxation, **Paul Schmidt** suggested to not overload its role

effectively turning civil society into the pawn of populists. Education would be the keyword in this regard and the Fair Taxation Seminar a first step into this direction.

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?

Ms Martina Neuwirth, Vienna Institute for International Dialogue and Cooperation, delivered the first statement of the new round of panellists. She started off by outlining two areas she deemed especially important for the future: 1) the CCCTB and the better integration of the digital economy, as well as 2) more transparency and public registers for company owners. With regards to the EU, Ms Neuwirth stressed the need for a better protection of whistleblowers.

Further stressing the importance of a public debate around fair taxation, as represented by the Fair Taxation Seminar, **Prof Friedrich Schneider**, Professor of Economics, University of Linz, differentiated between legal and illegal tax avoidance, the former being avoidable. Prof Schneider continued to expand the debate questioning the fairness of the taxation system. High indirect taxes and an estranged understanding of how taxes are being used would create a feeling of injustice in society. He identified another important part of the debate in the existence and perception of tax avoidance and more specifically black labour, being the greatest source of tax avoidance.

Thanking Prof Schneider for bringing up the topic of black labour, **Mr Michael Eberhartinger**, Austrian Economic Chamber, called for a broader view in the discussion. The taxation system has become complex and compliance costs enormous. To achieve fairness for small companies, more reliability would be needed from the governmental side, laws would change too fast. In this regard, Mr Eberhartinger also focused on the topic of digital taxation, 'as much as I support the goals of the CCCTB, its current implementation does not meet those goals'. Given the global nature of digitalization, a global and well thought through approach would be needed.

Participants also agreed with the **need for a more educated understanding of the relationship between the taxes citizens pay and the services they receive in return**. Further criticising the **unanimity rule** in European tax discussions between the Member States, participants pointed to the importance to prevent a race-to-the-bottom among Member States. Participants generally welcomed the Fair Taxation Seminar as a good start of a more open debate around fair taxation.

In conclusion to the seminar, **Mr Valère Moutarlier**, Director for Direct Tax in the European Commission, on behalf of DG TAXUD, thanked all speakers, participants, organisers and the Representation of the European Commission in Vienna for their engagement and support in carrying out this discussion. He pointed out that the seminar showed the importance of the thematic.

Noting that 'participation this morning is a very good outcome to bring together local communities', Mr Moutarlier further examined that 'it is clear from the discussion we had, that the objective was not to harmonise the concept - as there are different ways and perception on fair taxation - but what was clear is that there is a broad consensus that this is a very important topic and we have to take care of it'. Smaller businesses should not have to compensate for those overly engaged in tax schemes or their counterparts. The debate would moreover not be limited to corporate taxation but would go to all types of taxation.

Fair taxation would also be essential to ensure stable public revenues, healthy business environments, and attractive markets for investors. A rules-based taxation is key. Besides, fair taxation would be important to secure a level playing field throughout the market and continue to have a well-functioning single market.

He reminded that the European Commission's approach to taxation is not one-sided. Indeed, its fair taxation agenda goes along with its traditional agenda of tax policy by keeping the line on things that matter to many people (i.e. for instance the CCCTB, VAT reform, among others). Fair tax agenda would be seen as a complement.

Touching upon the issue of sovereignty, he stressed that MS remain sovereign but those MS are part of the EU, and being part of the club means responsibility too. The European Commission has been trying to push for trust and solidarity among MS as part of its agenda.

He also referred to the role of different actors, notably the civil society. He noted that in this regard the Commission has done a lot. The Fair Taxation Seminar would be an important element contributing towards reducing inequality.

Looking ahead, while a lot has been achieved in both the EU and in relation to the rest of the world in terms of transparency and anti-abuse provisions, 'everyone still needs to progress and invest. We will remain very committed and motivated'. He singled out elements where progress is wished: a) MS need to conclude negotiations (CCCTB, VAT package, public CbCR, whistleblowers); b) ensure we are fully equipped for the future, both in terms of tax schemes and modernisation of tax administration (see digital taxation, European Semester); c) ensure international partners commit. In this regard, he conveyed his confidence on the Austrian Presidency.



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