



HOW DO WE GRADUALLY IMPROVE DECISION-MAKING IN EU TAX POLICY?



reasons to transition to QUALIFIED MAJORITY VOTING decision-making at EU level

1 Citizens demand action

The EU would be better able to match the expectations of its citizens. **74% of Europeans want more action at EU level** in the fight against tax avoidance and tax evasion.

2 Better cooperation

Billions are lost every year to cross-border problems like tax avoidance and VAT fraud. This can only be addressed by EU action. **Better cooperation between Member States** could help them recoup these huge losses.

3 More democratic decision-making

Giving a fuller role to the directly elected European Parliament in tax policy would make the **decision-making process more democratic**.

4 Stronger Single Market

EU taxation policy would be able to deliver its full potential, helping to build a **stronger and more dynamic Single Market** which supports businesses, attracts investors and can compete with the strongest global markets.

5 Fairer taxation

EU countries would no longer have to reduce taxation on large companies to remain competitive, lightening the heavy tax burden currently felt by workers, consumers, and small domestic companies.

6 A global leader

Globalisation means that the tax decisions of one country can have a major effect on the policies and revenues of others. **More coordinated and ambitious EU action would ensure a fairer tax environment for all**.



'The EU has had a role in taxation policy since the origins of the Community six decades ago. Yet if unanimity in this area made sense in the 1950s, with six Member States, it no longer makes sense today. The unanimity rule in taxation increasingly appears as politically anachronistic, legally problematic and economically counterproductive. I am fully aware of how sensitive an issue this is, but that cannot mean that the discussion is off limits. So let's begin this debate today.'

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs

The Commission is launching a debate on a move to **Qualified Majority Voting (QMV)** for decision-making in the area of taxation.

Currently decisions on measures related to taxation at EU level must be taken by the Council with unanimous agreement, with the European Parliament only consulted. We suggest the following steps on the road to a fairer and more effective solution:



Combatting tax evasion and fraud

The European Council should agree to move to QMV decision-making when it comes to measures that improve cooperation and mutual assistance between Member States in fighting tax fraud and evasion, and for administrative initiatives to make life easier for EU businesses, e.g. harmonised reporting obligations. These measures are usually consensual for Member States but are prone to being blocked for reasons unrelated to the issues at hand.



SUGGESTED TIMEFRAME: DECISION TO BE TAKEN SWIFTLY

Unanimity in (in)action:

In 2013, the Commission proposed a standard, easy to understand VAT declaration for businesses across the EU, a move that could save EU businesses up to €15 billion a year. In order for unanimity to be found, the proposal was made virtually unrecognisable during negotiations and negated the purpose of the original idea. Worse, savings for EU businesses would have been negligible. The Commission therefore decided to withdraw the proposal in 2016.



Tax as supporting policy in other areas

Step 2 would introduce QMV as a useful tool to progress tax measures as support for other policy goals, e.g. fighting climate change, protecting the environment or improving public health. Proposals in policy areas generally covered by QMV should not switch to unanimity because they contain provisions on taxation.



SUGGESTED TIMEFRAME: DECISION TO BE TAKEN SWIFTLY

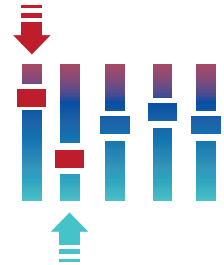
Unanimity in (in)action:

The European Commission proposed a revision of the outdated rules for energy taxation in 2011. The aim: to achieve an even more environmentally-friendly energy taxation system. But it proved impossible to reach the unanimity needed for the proposal to be adopted without seriously diluting the aim of the rules. The Commission had no option but to withdraw its proposal in 2015. A new proposal could be a good basis for a move to the ordinary legislative procedure in this area.



Further harmonisation of tax policy

The use of QMV under Step 3 would help to modernise already harmonised EU rules such as VAT and excise duty rules. Faster decision-making in these areas would allow Member States to keep up with the latest technological developments and market changes to the advantage of EU countries and businesses alike.



SUGGESTED TIMEFRAME: DECISION BY 2025

Unanimity in (in)action:

Due to the unanimity rule, Member States were only able to agree to a transitional VAT system that would underpin the EU's Single Market. 25 years later, and due to the lack of consensus among Member States, this framework is still in place – albeit now even less fit for purpose than in 1993, given the giant strides made in how the Single Market functions. The Commission's most recent proposals to put in place a business-friendly VAT system, which can help Member States to recuperate the €50 billion lost to VAT fraud each year, remains on the table.



Tax initiatives necessary for Single Market

Step 4 would allow a shift to QMV for major tax projects, such as the Common Consolidated Corporate Tax Base (CCCTB) and updated rules for the taxation of the digital economy, that are urgently needed to ensure fair and competitive taxation in the EU. In particular, the CCCTB is still progressing very slowly as a result of unanimity.



SUGGESTED TIMEFRAME: DECISION BY 2025

Unanimity in (in)action:

Due to the unanimity rules, EU tax rules for cross-border savings income payments took 26 years to be finally agreed. During the process, unanimity was more often than not used as a tool to create unnecessary delays and obtain concessions partly or wholly unrelated to the problems waiting to be solved. In the meantime, Member States were losing out in tax revenue that was rightfully payable to their treasuries and EU citizens were being forced to make up the difference.



A gradual approach to changing the way the Union decides on tax policy.

Important tax rules need (a lot of) time to be adopted. One example was the EU Savings Directive which aimed to better control the taxation of cross-border savings income.

EU Savings Directive Timeline



In this 26 years process, unanimity was used as a tool to create unnecessary delays and obtain concessions.

The Cost of Inaction in EU Tax Policy

