Taxation
The views of organised civil society

Summary of relevant EESC opinions

ECO
Section for Economic and Monetary Union and Economic and Social Cohesion

European Economic and Social Committee
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Preface

The single market of the European Union allows goods and services to be traded freely across borders within the EU. To make this easier for businesses – and avoid competitive distortions between them – EU countries have agreed to align their rules for taxing goods and services. Certain areas benefit from specific agreements, such as value added tax (VAT) or taxes on energy products and electricity, tobacco and alcohol. The EU is also working on improving the coordination of economic policies and corporate and income taxes across EU countries. The aim is to make them fair, efficient and growth-friendly. This is important to ensure clarity on the taxes paid by people who move to another EU country, or businesses that invest across borders. This coordination also helps to prevent tax evasion and avoidance.

Taxes are the most important source of revenue for the Member States and organised civil society contributes actively to the EU and Member States’ efforts to guarantee tax certainty and a tax base, as well as to making tax systems more effective, fair and transparent.

Accelerating globalisation and digitalisation trends are having an important impact on direct and indirect taxation, and the EESC believes that all tax systems need to take due account of these major changes. We consider that the principles of a fair tax system – consistency, predictability, neutrality – are just as relevant as ever for public authorities, businesses, consumers and for civil society at large.

The way forward

This brochure presents the EESC’s opinions in the area of taxation and gives an overview of key recommendations. We believe that great efforts are needed to prevent aggressive tax planning behaviour by businesses and non-transparency by Member States to ensure equal treatment of firms and to promote European competitiveness for the benefit of all Europeans. We call on the EU and the Member States to engage in the works of the OECD/G20 in search of an international solution for taxing the digitalised economy. The EESC considers that the EU must complete the move to the definitive destination principle-based VAT system where goods and services are treated in the same way for VAT purposes.

Stefano Palmieri
President
Section for Economic and Monetary Union and Economic and Social Cohesion (ECO)
European Economic and Social Committee
We support the Action plan and efforts to tackle the erosion of Member States’ tax bases and unfair competition. We call for future EU legislation to provide sanctions for companies that continue to run their affairs from tax havens.

Petru Sorin Dandea

We endorse the reintroduction of a common consolidated corporate tax base (CCCTB) that will be obligatory for companies operating transnationally. In order to avoid operating two different tax bases concurrently, we advocate extending the CCCTB to all companies.

Paulo Barros Vale

The EESC

• welcomes the publication of the action plan and expresses its support for the Commission’s efforts to tackle the erosion of Member States’ tax bases and unfair competition;
• endorses the introduction of a common consolidated corporate tax base (CCCTB) that will be obligatory for companies operating transnationally;
• advocates extending the CCCTB to all companies, in order to avoid operating two different tax bases concurrently;
• recommends that the Commission pay attention to the clarity of the definitions and concepts that are to govern the common tax base;
• is pleased that the Commission has published the list of non-cooperative tax jurisdictions;
• calls for EU legislation to provide sanctions for companies that continue to run their affairs from tax havens;
• recommends that, following the adoption of the CCCTB directive and the introduction of consolidation, the Commission carry out an impact assessment of the new rules. Should this assessment show that there has been no decrease in profit shifting to Member States with lower tax rates, the EESC proposes adopting suitable new measures.

Rapporteur: Petru Sorin Dandea
Co-rapporteur: Paulo Barros Vale
The EESC

• endorses the aims of the Commission proposals in the area of the CCCTB and recommends the greatest efforts be made to pursue the CCCTB by consensus, allowing for the sensitive nature of the issues in terms of subsidiarity and state sovereignty;

• understands the reasons behind the two-stage approach adopted by the Commission but urges the speedy introduction of stage two after the agreement of a common base, as it is only after consolidation that companies will feel the major benefits;

• recognises that the Commission relaunched the CCCTB proposal both with the objective to aid the single market and to combat aggressive tax planning, attributing income where the value is created;

• recommends a re-examination of the apportionment formula for the CCCTB. The Commission and the Member States should reflect on whether to exclude intellectual property (IP) from the formulary apportionment;

• is concerned that the operation of the proposed sales key will result in many of the smaller exporting Member States losing substantial amounts of taxable income to the larger consuming Member States and firmly believes the proposal should aim for an equitable formula and to avoid systematically unbalanced effect;

• urges caution on the proposals on depreciation to ensure they reflect the real experience of businesses as depreciation allowances may be too limited for certain asset classes subject to very rapid obsolescence due to the pace of technological change;

• welcomes the recognition of the tax treatment of equity financing for corporate investments, through the proposal to put debt and equity financing on an equal footing;

• recommends that there should be an equitable balance among Member States as a result of the proposals and thus their impact should be examined in detail on a Member State by Member State basis, in terms of investment attractiveness, job retention and creation;

• urges the Commission to address the need for flexibility and ensure that states and companies are able to respond to changing global or domestic economic circumstances, while respecting EU procedures and joint cooperation.

Rapporteur: Michael McLoughlin

The CCCTB is a necessary and critical step in countering aggressive tax planning and providing business certainty in the EU and beyond. EU citizens are rightly concerned about revelations on the amounts of Corporate Tax paid in many jurisdictions. The CCTB complements other work being done in the field of anti-avoidance. More work is needed though particularly on the apportionment formula and the particular economic position of some Member States.

Michael McLoughlin
We ask the Commission and the Member States to work towards an overall legal framework that can coordinate and standardise the tax rules that apply to these new forms of economic activity.

Giuseppe Guerini

The tax system for the collaborative economy should comply with the principle of neutrality so that all businesses are treated equally.

Krister Andersson

The EESC

• believes that the collaborative economy may offer a new opportunity for growth and development for the countries of the European Union;
• underlines that given the particularly fluid and rapid nature of change in this sector, it is crucial for fiscal regulatory systems and tax regimes to be adapted in an intelligent and flexible way;
• recommends that the tax system for the collaborative economy comply with the principle of neutrality (i.e. it must not interfere with market development), identifying appropriate tax mechanisms that are fair to the different types of business operating within the collaborative economy;
• advocates the rapid construction of a uniform, integrated European system that ensures common rules for the different Member States regarding the collaborative digital economy, in the light of the natural tendency for digital networks to operate in a cross-border setting;
• calls on the European authorities to make every effort to establish channels of cooperation beyond Europe in order to lay down some ground rules for the collaborative digital economy;
• considers it important to point out that, in addition to an appropriate tax system, protection and respect must be guaranteed for: (i) consumer rights, (ii) privacy and the rules on processing personal data, and (iii) workers and service providers involved in the new business models and in the work of collaborative platforms;
• urges the Commission and the Member States to work together to adopt an overall legal framework for the collaborative economy that can coordinate and standardise the tax rules that apply to these new forms of economic activity.

Rapporteur: Giuseppe Guerini
Co-rapporteur: Krister Andersson
The EESC

• welcomes the fact that the Commission is taking digital tax initiatives, giving further momentum to international discussions by providing a clear example of how the current tax principles could be transformed;

• believes that the solution must ultimately be a global one in order to better harness the benefits of globalisation, with proper global governance and global rules and therefore welcomes close cooperation between the Commission, Member States and the OECD to support the development of an international solution;

• believes that it is very important to develop new principles on how to attribute corporate profits to an EU country and tax them, in dialogue with trading partners;

• stresses that the impact assessment should be complemented by an analysis of what impact the interim measure will have on investments, start-ups, jobs and growth. It also needs to show how the proposal will affect SMEs;

• underlines that the interim measure proposed by the Commission to tax certain digital services does not tax corporate profits but instead turnover and considers that this approach is different from the global corporate tax system, which is based on the taxation of profits but it recognizes that for digital companies that do not have a physical presence, the country of sales will not receive corporate profit taxes;

• is concerned that such a shift in taxation will benefit larger economies with many consumers at the expense of smaller exporting economies and underlines that any solution, whether short or longer term, to the taxation of digital business models must result in a fair and equal economic outcome for all economies in the EU;

• notes that there is no sunset clause or other mechanism ensuring that the interim tax measure is withdrawn when a longer-term solution is found and strongly encourages the Council to develop such rules if the interim measure should be introduced;

• stresses that the proposal to implement a turnover tax has initiated an intensive international debate, which was one of the purposes of the initiative. Europe now needs to come to a common position, in the ongoing discussions at the OECD.

Rapporteur: Krister Andersson
Co-rapporteur: Petru Sorin Dandea
A global solution is required. Net-exporting countries need to achieve their share of the corporate tax base. It must continue to pay off to innovate and produce. The allocation key suggested for the Common Consolidated Corporate Tax Base, with its three factors, could be used and applied, as a starting point, for the allocation of the residual profit, if this is the method agreed upon at the OECD.

Krister Andersson

The EESC

• considers the digitalisation of the economy to be a great opportunity, and the EU Digital Agenda to be a key policy for the European Union;

• underlines the need for tax systems to take due account of new business models. The principles of a fair tax system — consistency, predictability, neutrality — are just as relevant as ever for public authorities, businesses and consumers;

• strongly believes that, in the context of the digitalisation of the economy, any changes to the rules for allocating taxation rights of profits among countries must be coordinated globally. The EESC therefore welcomes the close cooperation between the Commission, Member States and the OECD/G20 to support the development of an international solution, which will limit the risk of international double taxation. If an international solution cannot be reached, the EU must consider proceeding on its own;

• encourages the Commission and Member States to carefully consider all possibilities to eliminate any under-taxation of digital services, irrespective of where the company is located, for those sales that end up in a Member State. Services provided through platforms used by European consumers should be fully incorporated in the VAT system, as an essential component in addressing the tax issue;

• recommends that the allocation key suggested for the Common Consolidated Corporate Tax Base, with its three factors, could be used and applied, as a starting point, for the allocation of the residual profit, if this is the method agreed upon at the OECD;

• suggests that a formula consisting of four factors be used for the allocation of the residual profit, rather than the three factors included in the Common Consolidated Corporate Tax Base formula and the Committee fully recognises the complexity of the calculation of international taxation rights. At the same time an acceptable and fair allocation of taxation rights among countries is necessary;

• considers it necessary to strike a reasonable balance between the reallocation of corporate profit taxes among net-exporting countries and net-importing countries, not to jeopardise the possibility of countries to meet their social and environmental objectives.

Rapporteur: Krister Andersson
The EESC supports the Commission’s ambition to kick-start a necessary debate, given the sensitivities of Qualified Majority Voting (QMV) in tax matters. At the same time, the EESC considers that there are certain conditions that would need to be met for QMV to be successfully implemented.

The unanimity rule in taxation may increasingly appear as politically anachronistic, legally problematic and economically counterproductive. In the future, with an adoption of QMV, the European Parliament would play an important role in tax matters.

Unanimity in taxation has impacted on other wider EU policy priorities.

The EESC also considers that taxation policy in general and combating tax fraud in particular must remain a priority policy area for the upcoming European Commission.

The EESC is aware that tax policy has always been closely linked to the sovereignty of Member States, as it is of utmost importance to them. The EESC understands that tax competition for some EU Member States was a factor to solve financial problems in the past.

Following in-depth economic, social and fiscal analysis, any new rule must be fit-for-purpose and all Member States must at all times have sufficient possibilities to participate in the decision-making process. Creating an advantageous outcome both at the EU level and at the level of the individual Member State should be the ultimate objective.

When decided, the four proposed steps should be implemented gradually and the European Commission should perform an evaluation after each implementation.

EESC underlines the need for a wider process to possibly progress towards a more effective QMV that will take time and be in sync with other policy initiatives. In that sense, the EESC points out the necessity of:

- A sufficiently strong EU budget;
- Better coordinated economic policy;
- A substantial analytical work assessing to what extent current tax measures have been insufficient.

Rapporteur: Juan Mendoza Castro
Rapporteur: Krister Andersson
Rapporteur: Mihai Ivaşcu
Taxation/private investment and the Sustainable Development Goals - cooperation with the UN Committee of Experts on International Cooperation in Tax Matters

The EESC

- highlights that taxation policies are fundamental for the SDGs as they determine the economic environment in which investment, employment, and innovation take place while providing the government with revenues for financing public spending. Additional policy alignment and credibility enhancing measures could do much to increase private investment and to close the global investment gap by stimulating capital flows from capital-intense states to developing economies with investment needs;

- would like to emphasise that a successful domestic resource mobilisation requires that (1) tax rulings are made in an open and transparent manner; (2) systems are put in place to ensure the accountability of civil society organisations (CSOs) and parliamentarians; (3) governments should be transparent with taxes and expenditure; and that (4) taxes are visible;

- stresses that the private sector plays an important role in promoting gender equality. Wage policies as well as training and education in the work place are important to promote equal opportunities between genders, in career progression and professional growth. The opportunities linked to female participation in the global economy are huge, and should be a driver of inclusive economic growth, innovation and productivity;

- considers it important that any new rules on how to allocate taxation rights between countries is fair for both small and large consumer countries, as well as for developed and developing countries;

- considers that the work on taxation/private investment and the Sustainable Development Goals by the UN Committee of Experts on International Cooperation in Tax Matters is of the utmost importance for advancing the global dialogue and greatly contributes to peer learning and to exchange of best practices. The EESC stresses that European civil society must play an active role in this crucial international debate.

Rapporteur: Krister Andersson
The EESC

- welcomes the Action Plan on VAT, and calls to implement all parts of it as an indivisible whole - however also urges all stakeholders to look into how services can be incorporated into the new system more quickly;
- underlines that the transformation of the current system should result in a definitive VAT system that is clear, consistent, robust and comprehensive, as well as proportionate and future-proof;
- endorses the proposal to opt for the country of destination principle, as it will create a level playing field for all suppliers in the same national market;
- emphasizes that close attention should be paid to how business-friendly the system is; Further-reaching simplification and reducing the administrative burden should be examined more closely, whereby consideration could be given to a proportionate approach that benefits SMEs;
- calls for the comprehensive provision of useful information in a modern form, for example via a web portal, for the benefit of businesses;
- welcomes the strong focus on closing the VAT gap and tackling the susceptibility of VAT to fraud; There should be results delivered without delay, including by improving cooperation between tax administrations and with customs administrations, making tax administrations more efficient (in terms of human, financial and technical resources) and boosting Eurofisc’s role, strengthening voluntary compliance with the rules, and improving tax collection;
- stresses that practical actions to combat fraud must be targeted and proportionate; “Bona fide” enterprises should be protected and no new excessive measures should be imposed on them;
- welcomes the focus on new developments in e-commerce and business types;
- feels that the future system of reduced rates must combine flexibility and legal certainty, be transparent, and for the sake of simplicity the number of reduced rates and exemptions must be limited. The option of an extension and regular review of the list of goods and services eligible for reduced rates is in this sense preferable to an abolition of that list coupled with allowing MS greater freedom on the number of reduced rates and their level.

Rapporteur: Daniel Mareels
Co-rapporteur: Giuseppe Guerini

It is important to strive to implement all parts of the Action Plan as an indivisible whole. This applies in particular to the transition to the definitive VAT system; its actual implementation – which is only scheduled for the second stage of the Action Plan and conditional on a separate assessment by the Member States – should be carried out in any event and within a reasonable time frame. If not, the stated objectives could be compromised.

Daniel Mareels

We support the focus on closing the VAT gap, tackling VAT fraud, and improving the cooperation and efficiency of tax administrations.

Giuseppe Guerini
The EESC

• welcomes the package on the modernisation of VAT on cross-border e-commerce, and endorses both its objectives and its focus on addressing the concerns of SMEs. The proposed rules will have a major impact on companies selling goods and services online, allowing them to benefit from fairer rules and lower compliance costs;

• finds that the implementation of the VAT MOSS ("Mini-One-Stop-Shop") has had a significant impact on the reduction of compliance costs and points out that SMEs have struggled with several compliance elements of the MOSS, and have expressed significant concerns. Therefore the Committee welcomes the fact that the proposed amendments to the MOSS address these concerns;

• welcomes the proposed extension of the MOSS to goods as it creates conditions for the possible removal of the Low Value Consignment Relief (LVCR) scheme;

• points out that the amendments to the VAT rates applicable to e-publications rules would eliminate the distinction between physical and non-physical publications, and ensure neutrality in this market, but may carry a risk for the VAT base.

Rapporteur: Amarjite Singh
The EESC

• supports the measures that the European Union has put in place to tackle all forms of tax fraud and takes the view that the reverse charge mechanism for collecting value added tax (VAT) may be a useful tool in countering carousel fraud and VAT evasion;

• finds that the use of the reverse charge mechanism, which is a derogation from the established principles on VAT, must not be allowed to harm the internal market and it must be temporary and properly assessed by the Commission;

• recommends focusing particular attention on the proportionality principle, as the cost of compliance for small and medium-sized enterprises (SMEs) related to introducing a reverse charge mechanism could be considerable;

• emphasises that solutions adopted to combat VAT fraud should not impose excessive and disproportionate burdens on tax compliant businesses, particularly SMEs;

• considers that to ensure that this legislative proposal functions correctly and to reduce any future need to use additional derogations relating to the established principles and rules on the VAT system in the EU, Member States requesting the application of the reverse charge mechanism should impose specific and tangible electronic invoicing requirements to ensure that payments are fully traceable.

*Rapporteur: Giuseppe Guerini*
The current EU VAT system is highly fragmented and complex and subsequently reduces and distorts trade and investment by creating unnecessary and extensive administrative burdens and trade barriers for businesses.

Krister Andersson

The EESC

- considers that the current EU VAT system is highly fragmented and complex and subsequently reduces and distorts trade and investment by creating unnecessary and extensive administrative burdens and trade barriers for businesses;
- welcomes the Commission’s determination to close the VAT gap and the involvement of the European Public Prosecutor’s Office in cases of VAT fraud above EUR 10 million;
- recommends that tax authorities investigate how upcoming technologies can contribute to the fight against VAT fraud and be used as a helpful tool for simplifying the administrative burden on both businesses and tax administrations. In particular, Member States should create appropriate fora for the exchange of best practices in revenue collection and on how to develop technologies to facilitate proper tax collection in cross-border trade situations;
- calls on all the institutions involved in the process of reforming the VAT system to explore how a common system for both services and goods can be rolled out as quickly as possible;
- underlines the importance of tax neutrality between different companies, pointing out that VAT payments should not be allowed to adversely affect the liquidity of some businesses;
- notes that with regard to the certified taxable person (“CTP”) the Commission deems this concept to be important for the transition towards a VAT system based on the destination principle and agrees that businesses whose tax reliability is proven should be able to benefit from appropriate simplification measures;
- considers it important that the Commission carry out a comprehensive regulatory impact assessment aimed at ascertaining the practical implications of the action plan on VAT as a whole for individuals, businesses and tax authorities.

Rapporteur: Giuseppe Guerini
Co-rapporteur: Krister Andersson

This VAT reform is an important step for the EU as a whole and Member States should create appropriate fora for the exchange of best practices in the area and on how to develop technologies to facilitate the cooperation of concerned parties.

Giuseppe Guerini
VAT reform package (II)

The EESC

• welcomes the Commission’s proposals and recommends that they be swiftly adopted and implemented by the Member States given the fact that the excessive fragmentation of the VAT system within the internal market places unjustified obstacles in the way of small businesses’ development;

• endorses the Commission’s objective of ensuring that the measures included in this package are for the benefit of the final consumer and points out that the “negative list” should not unduly curb Member States’ freedom to establish reduced rates for certain general-interest goods;

• would draw the Member States’ attention to key aspects of the VAT system as applied to organisations and associations providing assistance to disadvantaged people. Therefore the Committee recommends that the EU institutions and the Member States exempt these organisations from the VAT regime;

• agrees with the Commission’s proposal to allow Member States to use two reduced rates of a minimum of 5%, as well as one reduced rate lower than 5%, and considers that they should be applied to certain classes of goods and services, as is the case in some Member States. It recommends that the Member States continue to apply reduced rates to certain classes of goods and services of general interest;

• recommends that the Member States provide the institutions responsible for combating VAT fraud with the human, financial and logistical resources they need, in order to ensure proper implementation of the provisions of the regulation, as proposed by the Commission;

• believes that the ambitious objectives set by the Commission in this legislative package can only be achieved if the Member States make the necessary efforts to adopt the definitive VAT system within a reasonable period of time.

Rapporteurs: Petru Sorin Dandea

It is important that the ‘negative list’ of goods and services to which the reduced rates provided for in the proposal for a directive do not unduly curb Member States’ freedom to establish reduced rates for certain general-interest goods.

Petru Sorin Dandea
We welcome the measures of the Commission to provide clarity over the treatment of certain alcoholic products, facilitate cross-border trade under streamlined and modernised systems, and reduce the administrative and legal burdens on small enterprises.

Jack O’Connor

The EESC

• welcomes the measures contained in this package proposed by the Commission;

• believes that they will largely achieve the goals set out, namely, to provide greater certainty and clarity over the treatment of certain alcoholic products, facilitate cross-border trade under streamlined and modernised systems, and reduce the administrative and legal burdens on small enterprise;

• is satisfied that the proposed changes respect the guiding principle to provide for the widest possible discretion to allow Member States to adapt excise taxation on alcoholic products to national needs and objectives in the areas of taxation structure, cultural and social contexts;

• supports the measures contained in the package of provisions as definitions are given greater clarity and consistency; as access to cross-border trade for small producers is made administratively simpler and modernised through updated IT systems; and as process and conditions for denatured alcohol are clarified;

• concerning the proposal to increase the lower duty threshold for beers from 2.8 percent volume to 3.5 percent volume, given that this would be left optional to the discretion of Member States, the EESC supports the proposal but calls for a review within five years to assess the impact in any Member State availing of this proposal;

• regarding the Commission’s proposal to rationalise the method of measuring the Plato degree of the ‘finished product’ on beer, on the basis that it should be done at the end of the brewing process, the EESC supports the Commission proposals on the basis that it is the least disruptive.

Rapporteur: Jack O’Connor
Implementing the definitive VAT system

The EESC

• welcomes the Commission’s proposal to replace the transitional VAT system for the taxation of trade between Member States put in place more than 25 years ago and still in force. Going beyond the transitional regime is a crucial step to completing the move to the definitive destination principle-based VAT system for taxing goods in B2B;

• urges the Commission to explore how a common system for both services and goods can be rolled out as quickly as possible;

• stresses the importance of continuing the work towards the second step, since treating goods and services in the same way for VAT purposes would be more conducive to growth and more effective against fraud;

• highlights that the proposed system would benefit from clear provisions or clarity laying down the rules for bad debt and refunds management within the One-Stop Shop (OSS);

• notes that the proposed system will trigger cash flow effects due to VAT on cross-border B2B supplies of goods, resulting in a cash flow income for the seller and a cash flow cost for the buyer. However, the cost of capital will in general be greater, since the time for recovering VAT will always be longer than the time the VAT is held by the seller;

• asks for clear and proportionate criteria regarding the concept of “certified taxable person” (CTP) to be implemented across Member States, in order to facilitate the broadest possible access to CTP status. The Member States should process a CTP application promptly in order to enable businesses to continue operating without unnecessary interruptions, delays and administrative burdens due to uncertainty;

• is concerned that the current proposal may turn out to be a prohibitive obstacle for both SMEs and start-ups. The Committee believes that the system of reverse charge should be granted to all cross-border supplies of goods B2B, until the definitive system is fully in place and reimbursement of VAT is done in a timely manner;

• recommends an adequate investment in IT hardware/software assets to properly develop a solid and reliable OSS able to efficiently manage a considerable amount of sensible information, guaranteeing a swift and secure functioning of the system to the benefit of both European companies and fiscal administrations;

• recommends greater collaboration between national fiscal and enforcement authorities in order to make the new destination-based VAT system more effective in terms of both effectiveness against fraud and reliability in favour of European enterprises;

• deems that European enterprises would benefit from an extensive communication action carried out by the Commission in order to adequately explain, in clear and practical terms, the main features of the new VAT system, as well as the concrete advantages the VAT reform is expected to deliver in favour of European businesses and their growth.

Rapporteur: Krister Andersson
Co-rapporteur: Giuseppe Guerini

We see the need for an extensive communication action carried out by the Commission to ensure that businesses and the public at large understand the proposed VAT system. It should be explored how a common system for both services and goods can be rolled out as quickly as possible. Digital reporting and exchange of information should increase.

Krister Andersson

We welcome the Commission’s proposals as they seek to simplify rules to prevent VAT fraud and make compliance easier for businesses.

Giuseppe Guerini
2019 Strengthening administrative cooperation for combatting VAT fraud (e-commerce)

The EESC

• supports the Commission’s objective of establishing advanced operational collaboration between tax authorities with regard to VAT fraud in the e-commerce sector based on clear legislative provisions;

• recommends that the response of the public authorities to sophisticated forms of VAT fraud continuously improve as regards the effectiveness of enforcement – using appropriate technologies such as, for example, artificial intelligence – and in terms of cooperation between the national authorities involved;

• stresses the need to keep derogations and limitations to the General Data Protection Regulation (GDPR) provisions limited and aimed at the strictly defined objective of fighting VAT fraud. As specific exceptions to general and mandatory rules protecting personal data and individual privacy, such derogations should be narrowly and carefully interpreted by law enforcers;

• requires that the Commission guarantees, in the future everyday-practice of the system, full and effective implementation of all the safeguards for fundamental freedoms embedded in the proposal, thus striking an appropriate balance between robust enforcement of VAT rules and the necessary protection of individual rights and fundamental freedoms.

Rapporteur: Krister Andersson

The Commission must guarantee that, in the future everyday-practice of the system, full and effective implementation of all the safeguards for fundamental freedoms embedded in the proposal, thus striking an appropriate balance between robust enforcement of VAT rules and the necessary protection of individual rights and fundamental freedoms.

Krister Andersson
The EESC

- supports the Commission’s objective to introduce further rules ensuring proportionality and enhancing legal certainty for traders operating electronic interfaces, who facilitate the supply of goods to consumers in the EU, especially when they are treated as deemed suppliers;

- further supports the Commission’s purpose of establishing regular cooperation with payment providers based on clear legislative provisions. The promising results expected after the implementation of the new measures will ensure more resources both for national and the EU budgets, as well as a simplified level playing field for tax-abiding businesses;

- notes that the regulatory approach embraced by the Commission is consistent with the principle of subsidiarity, given that e-commerce VAT fraud is common to all Member States and that European legislation is the most efficient tool to effectively support Member States in obtaining the information necessary to control VAT cross-border supplies;

- strongly underlines the importance of fully respecting the provisions of the General Data Protection Regulation (GDPR) and the need to limit the use of data to the sole – and strictly limited – objective of fighting VAT fraud in a manner that is cost-efficient and acceptable to the public at large;

- recommends that the Commission carry out adequate investments in physical assets and IT to ensure a functional central repository system, noting that the estimated costs of the project could be easily and swiftly covered by the expected results in terms of reducing VAT fraud and the VAT Gap.

Rapporteur: Krister Andersson

The Commission should carry out adequate investments in physical assets and IT to ensure a functional central repository system. The amount of data processed will be very large.

Krister Andersson
The EESC recognises the Commission’s aim of ensuring equal treatment, for VAT purposes, for armed forces of Member States working together within an EU framework and NATO armed forces employed in the EU, which already benefit from VAT exemption; understands that the two conditions for the exemption set out in the Commission proposal are that armed forces are deployed outside their own Member State, on the one hand, and that they are involved in a European common defence effort, on the other hand; accepts that there are some areas not covered by the new exemption. These areas concern, in particular, security purposes, humanitarian rescue tasks and cases in which the solidarity clause is evoked. As a consequence the overall VAT exemptions are limited to “military operations”, applying a narrow interpretation of such a concept; suggests that different national tax authorities should have one system under which the new exemptions are implemented; recommends that the Commission, through its VAT Control Group, set up a dedicated system where the VAT-exempted invoices issued by suppliers to armed forces will need to be inserted in order to benefit from the exemption set out in the Commission proposal.

Rapporteur: Benjamin Rizzo
The EESC welcomes the Commission’s initiative.

The Committee suggests:

- that the measures taken should align with what has actually been agreed at OECD level;
- that uniform implementation is ensured;
- to explore that whether and how the proposed rules can also be applied to financial corporations;
- that the switch-over clause should be applied directly to all taxpayers who have generated income in jurisdictions acknowledged to be tax havens;
- that the rules on controlled foreign companies set out in the proposal for a directive should be supported;
- that the proposal should not apply to SMEs;
- that Member States disclose the reports on financial results which will be subject to the automatic exchange of information;
- that a list of countries or regions which refuse to apply good governance standards in tax matters should be drawn up.

Rapporteur: Petru Sorin Dandea
Co-rapporteur: Roger Barker

It is essential that the measures taken in the Anti-tax-avoidance package are aligned with what has been agreed at OECD level and uniform implementation should be ensured.

Petru Sorin Dandea

The global tax system is in urgent need of reform if it is to regain the confidence of wider society. But change must occur on a globally-coordinated basis if it is to be credible and sustainable.

Roger Barker
The EESC

• values the Commission’s ongoing efforts in tackling aggressive tax planning;

• believes that the adoption of the proposal for amending the Anti Tax Avoidance Directive as regards hybrid mismatches with third countries will significantly increase corporate income tax in all Member States;

• considers that this Directive will reach its full potential only if similar rules are implemented in third countries as well;

• considers that the Member States should also look at the causes of hybrid mismatch arrangements, close the potential loopholes and prevent aggressive tax planning, rather than just seeking to obtain tax revenue;

• recommends all Member States to look into the possibility of introducing and applying sanctions to taxpayers benefiting from hybrid mismatch arrangements, in order to prevent and/or tackle such practices.

Rapporteur: Mihai Ivașcu

The adoption of the Council Directive amending Directive (EU) 2016/1164 should significantly increase the proceeds from corporate income tax in all Member States. However, this Directive can reach its full potential only if similar rules are implemented in third countries as well. On the other hand, Member States should also look at the causes of hybrid mismatch arrangements, close the potential loopholes and prevent aggressive tax planning, rather than just seeking to obtain tax revenue.

Mihai Ivașcu
The EESC

• calls on the Member States to step up their efforts in combatting aggressive tax planning and tax avoidance;

• recommends that the Commission and the Member States continue and step up negotiations in the framework of international institutions to develop effective rules for combating tax avoidance;

• welcomes the Council decision approving the criteria proposed by the Commission for evaluating jurisdictions known to be tax havens;

• calls on the Member States to avoid further promotions of tax competition by using numerous tax rulings that are not justified by the economic substance of the transactions;

• believes that the harmonisation and simplification of tax rules should be a priority for the Member States and that the complete elimination of tax barriers should go hand in hand with these harmonisation efforts;

• recommends that Member States shift the tax burden from labour to harmful financial or environmental practices, when carrying out tax reforms;

• proposes to extend the common consolidated corporate tax base (CCCTB) across the single market and even beyond;

• calls for the formula for apportioning the taxable profit, as part of the CCCTB consolidation, to be based as far as possible on the principle of taxing profits where they are generated;

• reiterates its proposal to introduce a “tax snake” along the lines of the “currency snake” which operated in the run-up to the introduction of the single currency;

• feels that the introduction of qualified majority voting in the field of direct taxation could support better the efforts to harmonise the rules on establishing the tax base for the main taxes. Progress in advancing tax policies could be made more quickly, and this would benefit the internal market and generate significant growth potential, given that a harmonised system would significantly reduce compliance costs for companies and create a more predictable tax system in the EU.

Rapporteur: Petru Sorin Dandea

It is crucial that harmonisation and simplification of tax rules are a priority for Member States and this should go hand in hand with the complete elimination of tax barriers. It is essential that Member States step up their efforts in combatting aggressive tax planning and tax avoidance.

Petru Sorin Dandea
Disincentives to tax avoidance or evasion

The EESC

- welcomes and supports the European Commission’s decision to tackle the problem of intermediaries enabling aggressive tax planning. Making their activities transparent, through the reporting obligation proposed in the proposal for a directive, will deter intermediaries from offering their clients aggressive tax planning schemes, and thus reduce the harmful erosion of Member States’ tax bases;
- underlines the importance of the Commission’s decision to provide logistical and technical support to the Member States for the implementation of the secure central directory to be used to record the information subject to administrative cooperation;
- considers it is important to ensure that the directive will be an effective deterrent to aggressive tax planning. More precise requirements for qualification of reportable transactions are required in order to prevent over-reporting from companies with time-consuming administration for both tax administrations and taxpayers;
- calls for appropriate and constructive guidance from the Commission and Member States as to whether transactions fall within that hallmark or not, as the requirement to comply with the arm’s length principle of the OECD transfer pricing guidelines is not an exact science and inevitably includes a subjective interpretation from taxpayers and tax authorities;
- notes that the taxpayer carries the ultimate responsibility to comply with the proposed directive. To fulfil the requirement of proportionality, the administrative costs must be reduced to the furthest extent possible for all sizes of businesses;
- calls on the Commission to review the five-day deadline for reporting, so as to ensure that it is feasible for the entities that are subject to the reporting obligation and, at the same time, is consistent with the objective of an effective reporting policy;
- considers that the proposal for a directive leaves a number of issues unresolved, such as how it is to be applied to taxpayers in the digital economy, given the difficulty in determining their physical presence as taxable persons in individual Member State jurisdictions;
- stresses that the reporting mechanisms must not create instability in tax legislation as a result of frequent changes, and that account must be taken of the fact that direct taxation falls within the legislative competence of the Member States.

Rapporteur: Victor Alistar
Co-rapporteur: Petru Sorin Dandea

Making their activities transparent will deter intermediaries from offering their clients tax planning schemes, and thus reduce the harmful erosion of Member States’ tax bases. This should create a level playing field and tax justice between companies that have a framework for aggressive tax planning and those that do not but which are subject to higher taxation to make up for the erosion of the tax base in the individual Member States.

Victor Alistar

We consider that directive proposed by the EC leaves a number of issues unresolved, such as how it is to be applied to taxpayers in the digital economy.

Petru Sorin Dandea
Fiscalis for 2021-2027

The EESC

• welcomes the Commission proposal for a regulation on a new Fiscalis programme. National tax authorities still suffer from insufficient capacity and insufficient cooperation and it agrees that there is an urgent need to improve the operation of tax policy, including administrative cooperation and support to the tax authorities;

• is concerned that the proposed budget of EUR 270 million may not suffice, considering the extensive programme proposed by the Commission and the rapid ongoing digitalisation. The Committee therefore recommends a mid-term review of the adequacy of the funding;

• encourages the Commission to engage with Member States in developing a common basic training courses for tax authorities in order to improve the functioning of the single market;

• believes that it is important that civil society at large becomes an active part of the Fiscalis programme.

Rapporteur: Krister Andersson

The Commission should engage with Member States in developing an institutional programme with common basic training courses for tax authorities in order to improve the functioning of the single market. The proposed budget of EUR 270 million may not suffice, considering the extensive programme proposed by the Commission and the rapid ongoing digitalisation.

Krister Andersson
Appendix

**Corporate Taxation**

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Opinion of the EESC on the Communication from the Commission to the European Parliament and the Council – A fair and efficient corporate tax system in the European Union: 5 key areas for action
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OJ C 71, 24.2.2016, p. 42
*Rapporteur: Petru Sorin Dandea*
*Co-rapporteur: Paulo Barros Vale*
Adopted at the Plenary Session of 9-10 December 2015

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OJ C 434, 15.12.2017, p. 58
*Rapporteur: Michael McLoughlin*
Adopted at the Plenary Session of 20-21 September 2017

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Opinion of the EESC on Taxation of the collaborative economy - analysis of possible tax policies faced with the growth of the collaborative economy
Exploratory opinion requested by the Estonian presidency
OJ C 81, 2.3.2018, p. 65
*Rapporteur: Giuseppe Guerini*
*Co-rapporteur: Krister Andersson*
Adopted at the Plenary Session of 18-19 October 2017

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and on the Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services
OJ C 367, 10.10.2018, p. 73
*Rapporteur: Krister Andersson*
*Co-rapporteur: Petru Sorin Dandea*
Adopted at the Plenary Session of 11-12 July 2018
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Opinion of the EESC on Taxation in the digitalised economy
Own-initiative opinion
OJ C 353, 18.10.2019, p.17
Rapporteur: Krister Andersson
Adopted at the Plenary Session of 17-18 July 2019

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Opinion of the EESC on the Communication from the Commission to the European Parliament, the European Council and the Council - Towards a more efficient and democratic decision making in EU tax policy
COM(2019) 8 final
OJ C 353, 18.10.2019, p. 90
Rapporteur: Juan Mendoza Castro
Rapporteur: Krister Andersson
Rapporteur: Mihai Ivaşcu
Adopted at the Plenary Session of 17-18 July 2019

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Opinion of the EESC on Taxation/private investment and the Sustainable Development Goals - cooperation with the UN Committee of Experts on International Cooperation in Tax Matters
OJ reference not available on the date of publication
Rapporteur: Krister Andersson
Adopted at the Plenary Session of 11-12 December 2019

VAT Reform and Excise Duties

Page 11:
Opinion of the EESC on the Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee on an action plan on VAT: Towards a single EU VAT area – Time to decide
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OJ C 389, 21.10.2016, p. 43
Rapporteur: Daniel Mareels
Co-rapporteur: Giuseppe Guerini
Adopted at the Plenary Session of 13-14 July 2016

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Opinion of the EESC on the Proposal for a Council Regulation amending Regulation (EU) No 904/2010 on administrative cooperation and combating fraud in the field of value added tax
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Rapporteur: Amarjite Singh
Adopted at the Plenary Session of 5-6 July 2017
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OJ C 288, 31.8.2017, p. 52
Rapporteur: Giuseppe Guerini
Adopted at the Plenary Session of 31 May - 1 June 2017

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Rapporteur: Giuseppe Guerini
Co-rapporteur: Krister Andersson
Adopted at the Plenary Session of 14-15 March 2018

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Rapporteur: Petru Sorin Dandea
Adopted at the Plenary Session of 23-24 May 2018
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on the Proposal for a Decision of the European Parliament and of the Council on computerising the movement and surveillance of excise goods (recast)
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Rapporteur: Jack O’Connor
Adopted at the Plenary Session of 17-18 October 2018

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OJ C 159, 10.5.2019, p. 38
Rapporteur: Krister Andersson
Co-rapporteur: Giuseppe Guerini
Adopted at the Plenary Session of 23-24 January 2019

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Opinion of the EESC on the Proposal for a Council Regulation amending Regulation (EU) No 904/2010 as regards measures to strengthen administrative cooperation in order to combat VAT fraud
OJ C 240, 16.07.2019, p. 29
Rapporteur: Krister Andersson
Adopted at the Plenary Session of 15-16 May 2019

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Rapporteur: Krister Andersson
Adopted at the Plenary Session of 15-16 May 2019


OJ reference not available on the date of publication

Rapporteur: Benjamin Rizzo

Adopted at the Plenary Session of 30-31 October 2019

Fighting tax avoidance


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and on the Proposal for a Council Directive laying down rules against tax avoidance practices that directly affect the functioning of the internal market COM(2016) 26 final - 2016/0011 (CNS)

OJ C 264, 20.7.2016, p. 93

Rapporteur: Petru Sorin Dandea

Co-rapporteur: Roger Barker

Adopted at the Plenary Session of 27-28 April 2016


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OJ C 75, 10.3.2017, p. 70

Rapporteur: Mihai Ivașcu

Adopted at the Plenary Session of 14-15 December 2016

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Own-initiative opinion

OJ C 434 of 15.12.2017, p. 18

Rapporteur: Petru Sorin Dandea

Adopted at the Plenary Session of 20-21 September 2017
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OJ C 197, 8.6.2018, p. 29
Rapporteur: Victor Alistar
Co-rapporteur: Petru Sorin Dandea
Adopted at the Plenary Session of 17-18 January 2018

Page 25:
Opinion of the EESC on the Proposal for a Regulation of the European Parliament and of the Council establishing the ‘Fiscalis’ programme for cooperation in the field of taxation
OJ C 62, 15.05.2019, p. 118
Rapporteur: Krister Andersson
Adopted at the Plenary Session of 17-18 October 2018