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EP tax investigation

Report adopted but special committee must be granted extension to allow more complete investigation

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On 26 October, the European Parliament's special committee investigating tax issues voted on a report summarising the findings of the investigation so far. While the Greens voted in favour of the report, which contains some ambitious proposals, we criticise the incomplete nature of the investigation, with member states and corporations refusing to cooperate with Parliament.

After nine months of hearings with experts, field visits (including to Luxembourg, Ireland, the Netherlands and the UK) and partial review of key tax documents from the Member States, the Committee concluded that:

1. All 28 member States of the EU breached EU law and their obligations. They did not inform each other about the rulings they granted to big companies, despite committing to it since 1977. And they did not inform the European Commission about these rulings either, while being obliged to under EU competition law.

2. The European Commission also failed to respect the EU treaty by not ensuring that member states complied with their obligation.

But apart from looking at past responsibility, the report is also proposing over 30 recommendations to the European Commission and the Member States. The European Parliament therefore shows its willingness to act and the Greens call upon the other EU stakeholders to do their part as well.

Some calls for actions were in the original report and defended by the Greens, including:

- A rapid adoption of a European common consolidated corporate tax base, so that multinationals in

Europe cannot shift their profits to countries where they pay low taxes (Art. 81)

- Tax transparency so that multinationals have to publicly disclose for each country where they operate key information such as: their number of employees, their subsidiaries, their profits and taxes... (Art. 97)

- Adapting EU state aid rules so that illegal state aids - like the rulings granted to Starbucks or Fiat - are recovered by EU affected states or are allocated to the EU budget to be spent on public goods (Art. 95)

- Urgently reforming the Council Code of Conduct on Business Taxation in order to be better able to tackle and prevent harmful tax measures decided by the Member States. The Greens have fought hard to ensure that the Code of Conduct Group should also be more transparent and accountable and for the European Parliament to have a right to notify this group of any national harmful measure it knows about. (Art. 90)

On other issues, the Greens fought hard, and despite resistance from centre-right groups, we managed to improve or include:

- Publicity of rulings: the original report called for automatically exchanging information on rulings only between tax administrations in the Member States. As Greens, we believe rulings should be public as they are just clarifying the legal situation of the one who requests it. We fought for this legislative battle in July and managed to re-insert this position of the European Parliament in this report (Art. 97)

- Stronger protection for whistleblowers: as Greens, we believe that people who risk their life to denounce scandals in the public interest should be adequately protected. We have suggested the creation of a pan-European fund to ensure whistleblowers receive an adequate financial support in the future. (Art. 100)

- Going beyond the international tax reforms: the Greens have championed the idea that what is currently being done at the international level by the OECD on base erosion and profit shifting (so called BEPS reform) is not enough. The European Union should go further and adopt stronger legislation, especially on digital economy, patent boxes or controlled foreign company rules. (Art. 101) We especially fought to ensure revising the Interest and Royalties and the Parent Subsidiary Directives, in order to allow withholding taxes in the EU (Art. 104) or to revise controlled foreign company rules in the Union (Art. 106).

- Tackling tax havens in the EU: while the report already called for a clear European definition of tax havens, the Greens have requested to ensure that European member states are also screened according to the criteria and could end up on a blacklist. We shouldn't apply double-standards when it comes to tax justice. (Art. 103)

- Separating activities of the big 4: The Greens have long highlighted the risks of having accounting firms auditing companies and advising them on their tax planning strategies. We have suggested that the Commission looks into risk of conflict of interests and propose separating audit and consultancy activities in these companies (Art. 111). Moreover, we fought to ensure that banks or accountancy firms promoting tax avoidance should be severely fined, including up to revoking their business licence (Art. 112)

- The creation of a UN tax body to have truly international tax rules: this was a long-standing battle from the NGOs to ensure that all countries can discuss on an equal footing what international tax rules we need, instead of having a club of rich countries in the OECD deciding international standards. Our amendment on this received a majority. (Art. 109)

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However, as said, the Greens criticise the incomplete nature of the investigation, with member states and corporations refusing to cooperate with Parliament. We also highlighted the unsatisfactory cooperation with the European Commission, notably as regards access to crucial documents relating to tax measures in EU member states (and the restrictive conditions under which MEPs are being allowed to access documents).

As a result, the Greens believe it is premature to conclude the investigation and are pushing for its extension and for full access to the relevant information. We will defend this position during our next TAXE meetings (this week and mid-November).

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