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Commission strong on tax proposals but weak in ways to implement them

Business Taxation Communication

Today, the European Commission has just released its new Communication on Business Taxation for the 21st century. The Commission's proposals aim to tackle tax avoidance with a series of legislative proposals. It also recognises the need for fair and effective taxation of capital income, both individual and corporate. Four new legislative proposals will be proposed in the short term, and next year the Commission will present a Roadmap for 2050. The Greens/EFA Group welcomes the positive messages coming from the Commission but has concerns over how these proposals will be accepted in national capitals, who have so far blocked progressive proposals on tax issues.

Sven Giegold MEP, fiscal policy spokesperson of the Greens/EFA group in the European Parliament, explains:

"It's welcome that the Commission is coming forward with ambitious proposals for fair and effective corporate taxation in Europe, going beyond what we had expected at the start of this term. However, nice ideas on paper will remain only on paper unless they can be put into practice; today's announcement lacks a plan for implementation and enforcement. The success of these ambitious tax proposals rests on the files not being blocked by the usual suspects in the Council. The Commission must finally go beyond the unanimity principle on tax issues.

"In the wake of the Corona crisis, national treasuries are stretched to the limit. We cannot afford to waste vital tax revenues through costly corporate tax breaks, inefficiencies and discrepancies between national tax systems.

"For years, member states have blocked proposals for a common consolidated corporate tax base and important reforms in VAT and corporate taxation. Citizens and companies need a fairer and more efficient tax system. 'Sweetheart deals' for Amazon, Apple, ENGIE and co. represent a massive distortion of competition in the European Single Market. The Commission must apply Article 116 to tax issues, in order to protect the integrity of the Single Market.

"Europe needs an ambitious agreement at the OECD-level. There is still no clear commitment from the member states to match President Joe Biden's proposal for an effective minimum tax rate of 21 percent. The

Commission's plan to promote equity financing for companies makes economic sense, but we can only afford such plans if at the same time we actually adopt effective measures against aggressive tax avoidance."

More:

In 2022, EU Commissioner for Economic Affairs Paolo Gentiloni plans to present, among other things, a legislative proposal for the publication of the effective tax rates of large companies. With the introduction of public country-by-country tax reporting, the public would have two important data bases on the contribution that large companies make to the general public. In addition, the Commission intends to present a proposal by the end of this year to prevent the abuse of letterbox companies for tax purposes.

In the longer term, a uniform legal framework for the taxation of companies throughout Europe is to be created. The Commission will present a new plan for a common consolidated corporate tax base under a different name (BEFIT), with a new method for allocating taxing rights between member states. In addition, the Commission holds out the prospect of introducing a digital and minimum tax, closely linked to the ongoing negotiations on corporate tax reform in the OECD. However, the Commission is also planning a so-called "Debt Equity Bias Reduction Allowance". This is intended to compensate for the tax disadvantage of equity costs compared to interest as a cost of debt.

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Responsible MEPs

Sven Giegold

Member

Contact person

Alex Johnson

Press & Media Advisor EN (English language press)

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