

Announcement
December 1, 2015

Announcement from KPMG's EU Tax Centre



EU Parliament votes on the TAXE Committee's report

On November 25, 2015, the EU Parliament voted on the report issued by the Special Committee on Tax Rulings and Other Measures Similar in Nature or Effect (TAXE Committee). The resolution was passed by 508 votes to 108, with 85 abstentions.

Background

The TAXE Committee is a temporary group set up by the European Parliament in order to investigate Member States' tax ruling practices and examine ways to end unfair tax competition and combat tax evasion within the EU. After 8 months of fact finding, the TAXE Committee has recommended measures to make corporate tax systems in the EU fairer and more transparent.

The views expressed in the report

The recommendations of the Members of the European Parliament (MEPs) are based on the principle that profits should be taxed in the Member State where they are generated. Citizens and Small and Medium Enterprises (SMEs) are considered to be at an unfair

disadvantage since they have to pay their full share of taxes whereas multinational companies (MNCs) were frequently found to pay hardly any tax on their profits. Furthermore, they argue that for tax competition to be fair it has to take place within an agreed framework of rules.

The Committee recommends to introduce Country-by-Country reporting for MNCs by means of making information, such as profit and loss before tax, tax on profit or loss, number of employees and assets held in each Member State (MS), available to the public. Moreover, it advocates to harmonize basic notions determining the corporate tax, such as economic substance and anti-abuse rules. It also considers it necessary to define common EU guidelines regarding tax rulings and advance transfer pricing agreements, specifically for the application of the OECD's arm's length principle.

In the view of the Committee, the best way to tackle base erosion, harmful tax competition and to solve the issue regarding transfer pricing would be the introduction of a compulsory EU wide CCCTB as soon as possible.

The Committee stresses the importance of sharing national tax rulings and other information that has an impact on other Member States between Member States, but also with the Commission. The recent negative State Aid decisions would confirm the need of a strong Commission that has the abilities to enforce EU competition rules. Reference is also made to national parliaments which should hold governments responsible for rulings and other tax issues.

The Committee states that the Code of Conduct Group seems to have lost its effectiveness. It recommends therefore the appointment of a permanent, politically accountable, Chair, the regular participation in the Group by finance ministers and a deeper involvement of the European and national parliaments.

Referring to citizens and journalists facing prosecution after disclosing information in particular in cases of tax avoidance and tax evasion, MEPs call for a better protection of whistleblowers - in the form of an EU legislative framework - whose revelations promote the public interest.

Next steps

Following a request by the EU Parliament's political group coordinators to extend the Committee's mandate by six months, the Conference of Presidents decided on November 26 2015 to set-up a temporary committee, to follow-up on the work already done. The coordinators felt that they need more time to access and analyze documents and also to monitor legislative initiatives in the corporate taxation field.

The TAXE Committee's work will also be followed up by a legislative report to be drafted by the Parliament's permanent Economic and

Monetary Affairs Committee. This report will be voted in the Committee on December 1, 2015 and in plenary session in December.

EU Tax Centre Comment

The recommendations proposed by the TAXE Committee are in line with the views expressed by the MEPs during the various hearings held in the past few months. The report although not binding on them now puts pressure on other European institutions, especially on the European Commission to act on these recommendations.

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