



Believe in *People*

EPP Group **Position Paper**

on **Taxation**



EPP Group
in the European Parliament



EPP Group **Position Paper** on **Taxation**



Table of Contents

1. EPP Group priorities on tax	5
2. EPP Group requests for specific legislative and non-legislative measures	9





1. EPP Group priorities on tax

- > Taxes must be paid in the countries where the actual economic activity and value creation takes place, or, in the case of indirect taxation, where the consumption takes place.
- > We welcome the application of the 'country of destination' principle to EU VAT rules and we underline the necessity to strengthen the effectiveness of VAT systems and EU-wide compliance with VAT rules.
- > We are in favour of strong tax sovereignty and therefore do not see a need to review the Treaty in order to abolish the unanimity rule as regards tax matters. Nevertheless, coordination and cooperation between Member States has to be strengthened to eliminate any forms of double taxation, double non-taxation or abuse of existing anti-BEPS¹ rules.
- > We emphasise, in view of a further contribution to growth and job creation, the necessity to shift the tax burden away from labour to a broad-based system of taxation. More attention should be given to a shift from direct taxes to indirect taxes.
- > We are in favour of the harmonisation of the tax base and of tax administration procedures in the EU, while opposing the harmonisation of tax rates. Member States are best placed to set tax rates, thus creating a natural band of relevant tax rates in the European Union. The harmonisation of the tax base should also ensure the non-discriminatory treatment of the different debt and equity financing structures of companies as regards tax rules.
- > Effective, transparent and fair tax competition must be key principles for Member States in setting tax systems that reflect the challenges of globalisation and the competitiveness of EU economies. Tax and competition policies should be considered as two faces of the same coin, for the benefit of all EU consumers and citizens. We consider European State aid control an important tool for combatting tax practices that distort the Single Market.
- > We consider that tax rulings are an important tool for ensuring legal certainty for businesses, while stressing that the abuse of tax rulings as a tool for commercial negotiation rather



1

BEPS: Base Erosion and Profit Shifting



than for the respect of the rule of law is unacceptable. The abuse of tax rulings should be tackled at the EU and global levels.



- > We insist that all Member States, and especially those that receive financial assistance, are bound to implementing structural reforms, including increasing their tax collection capacity and efficiency, combatting tax fraud and enforcing actions against aggressive tax planning.
- > We want to foster a strong and diversified European business landscape and we acknowledge that legal certainty and the simplicity of tax rules play an important role in creating a business-friendly environment.

- > We recognise that EU taxation policies should be considered in a global context that takes into account the activities of the OECD and other international institutions in defining a coordinated global tax architecture that combats tax evasion.
- > We welcome recent progress on the automatic exchange of tax information and stand ready to advocate the promotion of the OECD standard for the automatic exchange of financial account information, which should be reciprocal, at the global level.
- > The revision of tax policies should be seen as an integral part of structural reforms in the Member States. Tax policies have to be reviewed in the light of the competitiveness, sustainable debt and expenditure policies of Member States.



- > When reforming tax policies, the administrative burden and the costs of compliance should also be carefully considered. We strongly support the development of tax models and simplified tax compliance procedures favouring SMEs, micro-entities and start-ups.





2. EPP Group requests for **specific legislative and non-legislative measures**

- > We welcome the current country-by-country reporting requirements in the Accounting Directive, which is to be assessed by the Commission by 2018, and in the Capital Requirements Directive IV. We call for a thorough ex-ante assessment by the Commission before any proposal for a possible extension of these requirements is considered. Developments on country-by-country reporting in the OECD BEPS initiative have to be taken into account to ensure that a level playing field is maintained. We consider it essential that SMEs and mid-cap companies are excluded from additional reporting burdens.
- > We call on the Commission to propose new legislation, or other measures for avoiding BEPS, that should reflect the contents of the OECD Action Plan. We ask the Commission to promote best practice on transfer pricing and the pricing of loans and finance fees in intragroup transactions, to bring them into accordance with market prices. We underline the need for a European approach to tackling cross-border hybrid mismatch arrangements and to developing common rules on patent boxes.
- > We call on the Commission to come up with an improved EU initiative on a mandatory Corporate Tax Base which should result in considerable administrative simplification and include a smooth transition regime.





- > We call on the Commission to consistently apply existing investigation instruments and state aid provisions to ensure fair tax and competition policies. For this purpose resources and staff numbers in the relevant Commission Directorates should be increased to an adequate level.
- > We welcome the Commission's latest proposal to introduce an automatic exchange of information on tax rulings among Member States on a mandatory and regular basis and we call for the quick conclusion of this legislation and the effective use of the information by the Member States and the Commission. We consider that cross-border and relevant national tax rulings should be covered by the automatic exchange of information.
- > On VAT, we call on the Commission to further facilitate the 'country of destination' principle, in particular with a view to its application to SMEs.
- > We call on the Commission to act on enhancing the effectiveness of VAT tax systems and on ensuring better compliance with VAT rules.
- > We call on the Commission to further explore possibilities for extending the application of the VAT reverse charge mechanism to business-to-business supplies of goods, as it already applies to digital products and services.
- > We call on the Commission to define points of reference for taxation of digital content and services, in accordance with the EU Digital Single Market Strategy.
- > In order to ensure a technologically-neutral application of VAT rules, we call on the Commission to propose amendments to the VAT Directive that ensure physical and digital versions of a given product are treated in the same way.
- > The European Semester should be used to promote responsible tax policies. The Annual Growth Survey, as well as the Country Specific Recommendations, may also be used to recommend measures to increase the effectiveness of tax systems and to promote best practice for efficient tax collection.
- > We call on the Member States to reinforce cooperation on fighting VAT fraud.





- > We call on the Commission to come up with a Communication on developing an EU definition of tax havens (uncooperative jurisdictions) based on the OECD criteria. This policy should be combined with a clear view on how the list will be used.
- > We call on Member States to ensure that national tax rules support SMEs and family businesses, which are the backbone of our economy.
- > We call on all Member States to introduce a standard withholding tax on royalties to ensure that royalty payments to non-EU countries, not covered by relevant bilateral tax treaties, are subject to taxation.
- > We ask for the reform and improvement of the functioning of the Code of Conduct Group. The group should be strengthened at the political level so as to contribute to EU-wide tax coordination and to EU-wide action against BEPS.





EPP Group

in the European Parliament

Published by: EPP Group in the European Parliament
Press and Communications Service
Publications Team

Editor: Pedro López de Pablo

Responsible: Greet Gysen

Coordinator: Daniela Bührig

Revision: Mark Dunne

Address: European Parliament, 60 Rue Wiertz, B-1047 - Brussels

Internet: www.eppgroup.eu

E-mail: epp-publications@ep.europa.eu

Copyright: EPP Group in the European Parliament

Follow us



EN