

Fair Taxation: What Next?

The EU's fight against Tax Evasion and Tax Avoidance

Roundtable Discussion

Brussels, 05 February 2019

The EU office of the Friedrich-Ebert-Stiftung hosted a roundtable discussion on the EU's achievements on stronger rules against aggressive tax planning in the current legislative period. Different representatives of the European Parliament (EP), the Organisation for Economic Co-operation and Development (OECD) and the private sector assessed what needs to be done to combat the issue of tax avoidance and tax evasion in the EU even more effectively.



Sidonie Wetzig, Roland Franke, Grace Perez-Navarro, Arndt Kohn and Nibert Walter-Borjans.

Arndt Kohn, MEP, opened the discussion in reference to the recently published "Fair Tax Report" of the Group of the Progressive Alliance of Socialists and Democrats. He drew attention to the estimation that each year a minimum of 825 billion Euros is bypassed European public coffers through tax avoidance and tax evasion. He argued that despite the decreasing tendency of tax avoidance, it remains crucial that the EU intensifies its efforts on fair taxation.

Grace Perez-Navarro, Deputy Director of the OECD Centre for Tax Policy and Administration, underscored the recent progress had been made by the OECD's Action Plan on Base Erosion and Profit Shifting programme (BEPS), which until today 127 countries and jurisdictions have signed in order to counter tax avoidance strategies. At the same time, however, she emphasised the fact that more public awareness is required to force politicians to act upon the subject.

This was endorsed by Norbert Walter-Borjans, former finance minister of North Rhine-Westphalia. He contended that due to the lack of public awareness and expertise on avoiding corporate capture, political decisions would be taken in favour of a minority lobby group instead of the European public. In order to implement effective regulations while avoiding European fragmentation, Walter-Borjans highlighted that common EU solutions would be required.

Ana Gomes MEP, vice chair of the special committee on financial crimes, tax evasion and tax avoidance, took up this point and stressed the need for the EU and its institutions to deliver. Tax abuses by multinational corporations increase the tax burden on other tax payers and provoke a growing feeling of inequality. If this issue is not addressed by EU legislators people will start questioning the social contract, which undermines the legitimacy of government institutions and ultimately the fundament of liberal democracy. European governments and EU institutions need to demonstrate effective law-making and implementation to curtail tax avoidance and evasion.

Roland Franke, head of tax and finance policy of the “Foundation for Family Businesses in Germany and Europe”, agreed on the need for homogenous

solutions. He found that the action plan on BEPS moves in the right direction, however, it would be equally important to protect sensitive business data of private companies. Thus, data protection and privacy on the one hand would have to be balanced with public access to information on the other hand. Any initiative that aims at addressing the issue of more transparent taxation would have to respect the EU legislation on competition and data protection.

The subsequent discussion with all participants demonstrated the great need for common global rules on taxation, which would simultaneously overcome national fragmentation. In doing so, it was argued that public pressure would present one of the most crucial elements in pushing for more transparent tax provisions. Similarly, it was emphasised that the European Commission did only act upon the pressure of the EP in regard to its past initiatives. Despite resounding successes in the recent past, important measures lie ahead, most importantly the common consolidated cooperative tax base (CCCTB), digital tax or public country by country reporting. Overall, the event sparked great interest and filled with more than 50 participants the EU office of the Friedrich-Ebert-Stiftung right to the last seat.

By Dominik Rehbaum