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How to tackle tax evasion and tax avoidance?

The case for tax transparency to contain and end tax wars

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1) A turning point since 2012?



- European Union has made substantial progress towards exposing and addressing tax abuse
 - Banks have to publish public country by country reports from this year onwards (embedded in CRD IV 2013)
 - a powerful deterrent against tax abuse
 - a bright light beam on banks' tax practices
 - creating the knowledge foundation for fundamental tax reform
 - paving the way for a level playing field
 - ALDE has played an important part in making this happen
 - LuxLeaks exposed the need to expand this beyond the banking sector
 - Current proposal for the revision of the shareholder rights directive contains such a provision
- Two weeks from now, the EP and ALDE are facing another historical opportunity to advance a level playing field in Europe

2) „Fair“ Tax Competition vs. Tax Wars



- Market competition is about:
 - creative destruction, failure is possible among firms
 - better products, more efficient production, lower prices
- States engaging in tax „competition“:
 - are anti-competitive; they
 - disable and distort fair market competition by offering artificial (tax) benefits, mostly to large MNCs
 - fail to perform their role as regulators and arbiters of market competition (tax is not a cost to, but transfer within the economy)
 - fail to price in the opportunity cost by foregone tax revenue in other sectors of the domestic economy
- the term tax war is far more apt: dangerous for the market economy and for democracies
- most visible collateral damage of this tax war: whistleblowers = regulators of last resort, facing prosecution in Luxembourg

- AIE on tax rulings risks to be a non-starter because
 - past failure to comply with EU law and national regulations in the area of tax rulings / tax wars
 - breach of 1977 EU directive on administrative assistance in tax matters, so far identified by TAXE in Belgium and Luxembourg, by failing to forward problematic rulings (Art. 4)
 - in case of Luxemburg, a 1989 circular by LX tax admin requested that tax rulings must not predominantly serve tax optimization
 - even in a federal state such as Germany, the national rule for mandatory reporting of all cross-border transfer pricing rulings is failing, in the absence of severe sanctions and risk of detection
 - Bavaria successfully requested the German government on 23 April 2015 to weaken the AIE provision on tax rulings in the planned amendment to tax admin directive
 - limitations and ambiguous nature of (tax) law
 - serious challenge only within framework of state aid rules
 - backlog of open MAPs may grow even faster (EU: 2006-2013: sixfold increase from 74 to 492 cases)
 - continued obstruction
 - attempts by TAXE to get list of rulings (total number and amounts of tax benefits) is not being answered (e.g. by Luxembourg)
 - Luxembourg finance centre is dependent on finding “niches” which politics will be protecting

4) Public Country by Country Reporting



- Public country by country reporting for all sectors can enhance tax compliance & level playing field, as embodied in SRD text approved by JURI (Article 18)
- Public country by country reporting will:
 - help level the playing field between SMEs and large multinationals
 - promote more competition in markets, exposing rent seeking and artificial tax planning
 - improve investment decisions and enhance efficiency of resource allocation
 - ensure all companies operating in Europe are subject to the same reporting obligations (incl. US firms with activities in the EU)
 - help revealing
 - misalignments between real economic activity (value creation) and declared tax base, as well as
 - corruption (i.e. special treatment / tax rulings)
 - enable citizens to better hold governments to account
 - only have a negligible cost to implement, and annual cost of 0.2 million GBP (HMRC UK assessment)

4) Public Country by Country Reporting



- 59% of CEOs of large companies are in favour of mandatory rules for public CBCR (PWC Survey 2014)
 - apart from banks, some MNCs are already publishing such data, without harm for their business
- Ancestral Wisdom: CBCR is under discussion among academics at least since 1977, at United Nations since 1980 („segmented reporting“ at UNCTAD)
- Don't be mistaken: Neither OECD / BEPS will successfully address this, nor is the CCCTB likely to be voted anytime soon

→ Now or never decisive moment to boost market integrity and competition in EU in June 2015: EP plenary vote on full CBCR in SRD

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Thank you!

More Information:

- <http://www.taxjustice.net/blog/>
- <http://treasureislands.org/>
- <http://www.tackletaxhavens.com/>
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keine Steuern zahlen



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