



**COUNCIL OF
THE EUROPEAN UNION**



Council Conclusions on Co-ordinating Member States' direct tax systems in the Internal Market

*2792nd ECONOMIC and FINANCIAL AFFAIRS Council meeting
Brussels, 27 March 2007*

The Council adopted the following conclusions:

"The Council held a debate based on the Communications from the Commission on "Co-ordinating Member States' direct tax systems in the Internal Market", "Exit taxation and the need for co-ordination of Member States' tax policies", and "Tax Treatment of Losses in Cross-Border Situations".

The Council and the Commission recalled that Member States are free to design their direct tax systems so as to meet their domestic policy objectives and requirements, provided that they exercise that competence consistently with Community law.

The Council underlined that the functioning of the internal market may be improved through co-operation on taxation among Member States and where appropriate at the European level, while respecting national competencies. While recognising the principle of preserving an effective allocation of the power to tax, the Council recognised the value of discussions on enhancing co-operation between Member States in specific areas of direct taxation to ensure that their domestic direct tax systems work together within the framework of Community law. The Council noted that appropriate solutions may take a variety of forms, in accordance with the subsidiarity principle.

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The Council acknowledged the need for an effective use of the mechanisms of administrative co-operation such as those provided for in the Mutual Assistance and Recovery Directives.

Against this background the Council took note of the Commission proposals towards improved co-ordination of national tax systems. The Council invites the Member States to continue to work with the Commission with a view to establishing in which areas there may be a need for greater co-ordination."

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