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### **Resolution on the Commission report on taxation in the European Union: report on the development of tax systems (COM(96)0546 C4-0054/97)**

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A4-0169/97

Resolution on the Commission report on taxation in the European Union: report on the development of tax systems (COM(96)0546 - C4-0054/97)

The European Parliament,

- having regard to the Commission report (COM(96)0546 - C4-0054/97),
- having regard to the report of the Committee on Economic and Monetary Affairs and Industrial Policy (A4-0169/97),

A. whereas, although total taxation in the European Union, i.e. taxes and social insurance contributions, increased only slightly as a proportion of GDP between 1980 and 1994 (by around 2 percentage points), there were radical changes in the structure of tax revenue over that period, resulting in an increasing tax burden on stable factors of production, in particular labour, and a reduced burden on more mobile factors, in particular capital (the imputed tax rates for labour increased on average by about 6%, while those for the other production factors - capital, in particular - fell by about 9%),

B. whereas higher taxes on non-renewable energy sources and environmental pollution are not only urgently needed for ecological reasons but are also essential to reduce the cost of labour,

C. whereas, although the variations in the overall levels of taxation between Member States have lessened in the last few years, owing to a general increase in minimum rates, the changes in the structures of taxation have affected the Member States in very different ways,

D. whereas this lack of harmonization and coordination has led to the erosion of the tax base, with a subsequent loss of tax revenue,

E. whereas the shifting of capital assets for purely fiscal reasons and straightforward tax evasion lead to the misallocation of economic resources, while jeopardizing the social function of the state; whereas decisive action should therefore be taken to combat it,

F. whereas the recent increase in excessive and harmful tax dumping by a number of Member States is leading to the further undermining of certain tax bases and hence to a reduction in total tax revenue,

G. whereas there has been a clear move towards tax competition, which has gone beyond the natural limits which ensure healthy competition between taxation systems and between various schools of thought on economic policy and state intervention, and is therefore having adverse effects and leading to further fiscal erosion,

H. whereas this is mainly affecting the smooth functioning of the single market as a result of the failure to harvest the full benefits it can provide in terms of production and employment and as a result of distortions in economic flows which will also adversely affect the proper functioning of EMU,

I. whereas, in the context of the monetary unification process, a framework for action is needed to ensure that the single currency does not exacerbate the adverse effects of tax competition; whereas this must be achieved by removing any remaining obstacle to the freedom of capital flows and other economic flows,

J. having regard to the particularly adverse effects on the labour market caused by the current distribution of the fiscal burden, in particular the problems encountered in combating unemployment and the loss of competitiveness of European industry inter alia because of the failure to harvest the full benefits of the single market,

K. whereas, given the gradual trend towards freedom of movement of goods, services, persons and capital, the failure to coordinate taxation policies will ultimately mean that the individual Member States will lose sovereignty over taxation policy and hence over the fiscal instrument in general, in favour of the market,

L. whereas there is growing awareness on the part of the Member States of the need for coordination; whereas, at the same time, there is a refusal on the part of those same Member States to abandon the principle of unanimity when it comes to tax-related issues,

M. whereas, although there is now a pressing need to coordinate national taxation systems, this must nevertheless be done in a way which respects the four fundamental freedoms laid down in the Treaty and the underlying principle of non-discrimination,

N. whereas an efficient system of taxation must reconcile the requirements of financing the state budget and efficient use of resources and the smooth functioning of the market, and therefore must not hamper economic growth but boost it instead (in an environment-friendly way) and generate employment at both national and European level,

1. Welcomes the Commission's approach to tax policy shown in its report and agrees that greater coordination of tax policies is needed;

2. Calls for a realignment of fiscal policy in the EU to make it ecologically compatible, in line with employment policy and socially just;

3. Stresses the need to extend the powers of the EU in respect of fiscal harmonization to company taxation and tax on capital in order to check the distortions of competition in the internal market;

4. Calls for a fiscal policy strategy on the part of the EU against ruinous tax competition in favour of capital and businesses, since this leads to a collapse in state revenue which does not accord with the principle of fiscal justice or with the need to finance public expenditure;

5. Is of the opinion that tax systems in the EU should be graduated in a way which is socially just, simple, transparent, efficient and in accordance with the principle of the ability to pay; calls in particular for a minimum tax rate to be levied on all incomes in the EU;

6. Regards the principle of progressive taxation as crucial to fiscal equity and social justice;

7. Considers that the creation of the High Level Group of Representatives of the Finance Ministers, endorsed by the recent Dublin European Council, will be a useful means of ensuring more satisfactory progress and a basis for agreement within the Council on the question of coordinating tax policies;

8. Calls, however, for Parliament not to be excluded from the forums for discussion and subsequent supervision to ensure that the decisions reached are implemented properly, given that taxation is an issue that directly affects the economic activities of individual European citizens;

9. Takes the view that there should not be any further increase in the total tax burden;

10. Believes that greater coordination of tax policies, with the aim of simplification and harmonization of taxation systems, and a decisive and coordinated fight against tax fraud and tax evasion must be implemented at once by the Member States;

11. Believes that, as far as the labour market is concerned, a distinction must be made between the long- and short-term measures to be carried out, and that the short-term measures should include special tax relief for SMEs and employment-intensive business activities in general;

12. Calls for the recommendations of the Ruding committee on company tax to be implemented in European directives;

13. Believes, in particular, that better functioning of the labour market and greater flexibility at both national and European level will require moves towards eliminating all forms of double taxation on income from labour and other obstacles resulting from taxation or social charges which restrict mobility within the Union;

14. Calls on the Commission to draft a European Union convention to serve as a framework for better coordination of the existing bilateral taxation conventions between Member States, in order to provide a definitive solution to the existing problems of double taxation and social insurance contributions to which frontier workers often fall victim;

15. Believes furthermore that, as far as company taxation is concerned, it is necessary to look closely at all forms of taxation which in practice lead to double taxation on certain cross-border activities (such as the payment of royalties and interest between associated companies, etc.);

16. Welcomes the initiatives geared towards creating alternative sources of revenue, focusing in particular on scarce non-renewable resources, in the form of environmental taxes and energy taxes, which aim to reduce the fiscal burden on labour while at the same time maintaining the same level of taxation, and calls on the Commission and Council to continue their work in this direction;

17. Calls on the Commission to promote and step up cooperation between the national taxation authorities by improving the legal framework, in terms of swapping experiences and identifying best practices to help combat tax avoidance and current forms of tax evasion;

18. Considers that the plans to define codes of conduct in tax matters, in other words, voluntary restraint agreements on the part of the Member States, which in themselves flesh out current legislation and the Treaties, may provide an effective solution to the problems outlined above and may also contribute towards achieving greater coordination of tax policies and greater harmonization;

19. Calls on the Commission and the Council to include the following general points, in the forms and ways suggested by the relevant technical and legal services, in the draft code of conduct:

(a) a precise definition of the spheres of taxation to which the code of conduct applies, bearing in mind the criterion that any action must be geared solely towards countering those adverse effects which have a Community dimension;

(b) a general stand-still rule which ensures that the current situation does not get any worse and which provides for forms of consultation regarding any new type of taxation which Member States plan to introduce;

(c) a gradual roll-back mechanism which encourages forms of convergence in the more sensitive areas in accordance with procedures yet to be laid down, including a commitment not to renew tax measures which are inconsistent with the code of conduct;

(d) a general clause identifying the substance of the code of conduct as a minimum common basis to be used in determining levels of taxation or in deciding on tax bases;

(e) total transparency as regards any form of tax relief on company revenue and the relevant procedures for deciding on the tax base;

(f) criteria allowing for a better definition of any incentives granted to undertakings, so that state aids permitted by existing legislation do not include forms of tax relief which are disproportionate to the aims pursued and which therefore amount to forms of tax competition;

(g) an agreement as soon as possible on minimum taxes on energy and environmental consumption;

(h) taxation of capital income for EU residents and non-residents in general must be coordinated and should not be lower than a minimum threshold decided on by common accord;

(i) measures which eliminate all forms of double income tax for cross-border workers and which remove the other obstacles formed by taxation or social charges which limit the mobility of workers within the Union;

(j) the procedures and powers available to the Commission as regards enforcement of the code of conduct;

20. Reserves the right to examine the proposals outlined in the course of the High Level Group's work and to assess them from the point of view of safeguarding the interests of individual European citizens; calls therefore on the Commission and the Council to keep it duly informed of any developments;

21. Instructs its President to forward this resolution to the Commission and the Council and the governments and parliaments of the Member States.