

Thursday 14 March 2002

P5\_TA(2002)0125

## Tax policy

### **European Parliament resolution on the Commission communication to the Council, the European Parliament and the Economic and Social Committee on tax policy in the European Union (COM(2001) 260 – C5-0597/2001 – 2001/2248(COS))**

*The European Parliament,*

- having regard to the Commission communication (COM(2001) 260 – C5-0597/2001)<sup>(1)</sup>,
  - having regard to the Commission communication to the Council, the European Parliament and the Economic and Social Committee 'Towards an Internal Market without tax obstacles – A strategy for providing companies with a consolidated corporate tax base for their EU-wide activities' (COM(2001) 582),
  - having regard to the Commission communication to the Council and the European Parliament 'A strategy to improve the operation of the VAT system within the context of the internal market' (COM(2000) 348),
  - having regard to the Commission study 'Company taxation in the internal market', of October 2001,
  - having regard to the conclusions of the ECOFIN Council of 1 December 1997,
  - having regard to the conclusions of the Santa Maria de Feira European Council of 20 June 2000,
  - having regard to the report of the working group on the Code of Conduct for business taxation submitted to the Ecofin Council on 27 November 1999,
  - having regard to the reports presented at the hearing of experts organised by the Committee on Economic and Monetary Affairs in June 2000,
  - having regard to the OECD report entitled 'Project on harmful tax practices: the 2001 progress report',
  - having regard to Rule 47(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0048/2002),
- A. whereas the average figure for tax receipts, as a proportion of GDP, rose by about 11 % between 1970 and 2000, from 34,4 % to 45,5 %, growing steadily over the last 30 years, and slowing down but not stopping in more recent years; whereas this growth is due in large part to increases in direct taxes, especially income tax, and increases in social security charges,
- B. whereas the largest increase in tax pressure on labour (both for taxes and social charges) was in the 1970s, during the period of highest growth in the ratio between tax receipts and GDP, which demonstrates a very close correlation between tax pressure on labour and tax pressure *tout court*; whereas, on the other hand, there is no evidence of a trade-off between tax pressure on labour and that on capital,
- C. whereas no significant progress has so far been made in the transition to a VAT system which will apply, in full, the country-of-origin principle, and the current system, as well as lacking transparency, being excessively onerous for individuals and companies and highly vulnerable to fraud, is a barrier to the completion of the internal market,
- D. whereas EMU and the associated centralisation of monetary policy, although involving greater coordination of economic policies, does not entail EU-wide harmonisation of tax policies,

<sup>(1)</sup> OJ C 284, 10.10.2001, p. 6.

**Thursday 14 March 2002**

- E. whereas differing policies regarding the setting of levels of duties do not in themselves constitute a barrier to the internal market, except when they are invoked to justify exceptions to the free movement of goods,
  - F. whereas it is necessary to remove obstacles to cross-border operations by EU companies which, if they operate on a pan-European scale, must comply with 15 different sets of tax legislation,
  - G. whereas, although the tax sovereignty of the Member States is important, the integration and globalisation of markets has resulted in a situation where efficient tax raising within the borders of the nation state has become difficult;
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- 1. Welcomes the affirmation in the Commission's communication that the general priorities of fiscal policy include the removal of obstacles to the internal market, a reduction in the overall tax burden and associated administrative burdens, the modernisation of the European social model, environmental protection and greater competitiveness;
  - 2. Believes that tax competition between EU Member States, in the context of rules preventing improper conduct, can contribute to the attainment of these objectives and encourage a positive approach by the Member States, helping to prevent tax pressure reaching excessive levels;
  - 3. Stresses that tax competition is not at odds with the completion of the internal market, which does not entail a total levelling-out of competitive conditions in each country and certainly not those relating to taxation; emphasises that the taxation dimension is an issue which is internal to each country, but does demand increased efforts to remove discrimination, double taxation and administrative barriers;
  - 4. Calls on the Commission to submit a report on whether it is possible to introduce a most-favoured treatment clause for fiscal treatment within the EU in order to achieve competition neutrality within the internal market;
  - 5. Believes that tax competition may in itself be an effective instrument for reducing a high level of taxation;
  - 6. Stresses the need to include among the priorities for EU tax policy the transition to a definitive VAT system which will apply, in full, the country-of-origin principle; therefore calls on the Commission and the Council to renew their commitment to identifying, together with Parliament, a programme for transition to a definitive system;
  - 7. Calls on the Commission to introduce in the VAT rules either an exemption with a refund scheme, a mandatory reimbursement of VAT or a super-reduced rate (applied to outputs in order to allow full recovery of input tax) for charities, presently treated as consumers under existing VAT rules despite their role as service providers and, consequently, unable to recover input tax incurred on purchases;
  - 8. Is concerned that the current system, which was originally a transitional one, is increasingly becoming definitive; nevertheless welcomes the Commission's pragmatic approach aiming to improve the operation of the current VAT system and urges that top priority be given to combating fraud when making such improvements;
  - 9. Deplores the fact that the considerable increase in tax pressure seen over the last three decades in many Member States has particularly affected labour revenue;
  - 10. Emphasises that there is a correlation between excessively high taxes and lack of economic growth and that the Member States with a level of taxation substantially above the average in the Union should lower relevant taxes, particularly those on labour as well as others that are negative in growth terms;
  - 11. Does not agree with the Commission's policy with regard to duties on tobacco and alcoholic products, particularly with regard to upwards harmonisation, through the constant raising of minimum taxation levels; stresses the serious law and order problems associated with smuggling, particularly that originating in non-EU countries, and which is less attributable to the different levels of taxation in the various Member States than it is to the high level of taxation overall;

Thursday 14 March 2002

12. Believes that the 'polluter pays' principle needs to be applied more widely, particularly in the energy products sector, but points out that it should be implemented not only through taxation but also through regulation; considers that the serious competitive distortions affecting the energy sector, which are specifically linked to variations in the degree of liberalisation in national markets, represent an obstacle to the application of this principle; notes with concern that, as revealed by an OECD study, the implementation of environmental tax policies intended to safeguard the competitiveness of energy-intensive sectors has so far had regressive effects in that it almost exclusively affects families and the transport sector;
13. Considers it vital for tax policy to encourage the development of a knowledge-based society, in particular by means of favourable tax regimes or temporary tax holidays for the most innovative sectors; regards it as essential that, in the e-commerce sector — characterised by its global dimension and by technical and legal issues which remain unresolved — tax policy options are determined through close cooperation with the countries most concerned, and with their agreement;
14. Regrets the lack of progress towards the introduction of fiscal instruments for environmental protection, e.g. CO<sub>2</sub> and energy taxes as agreed by all Member States under the Kyoto Protocol;
15. Calls on the Council to adopt the framework directive restructuring the Community framework for the taxation of energy products (COM(1997) 30) <sup>(1)</sup> without delay;
16. Hopes that progress towards full implementation of the measures in the 'tax package' can be completed as quickly as possible, and especially the removal of those rules which discriminate between residents and non-residents or leave loopholes for fraud and are thus not compatible with a single market;
17. Welcomes the agreement reached on the taxation of savings interest, and stresses the need for the adoption of the directive to be accompanied by equivalent measures in non-EU financial centres towards which EU savings will otherwise be drawn;
18. Calls on the Commission, on the basis of the OECD model tax agreement, to frame a multilateral tax agreement for the EU in order to increase the hitherto minimal legal certainty, and to overcome the problems faced by companies and tax administrations in the light of the existence of over 100 very different bilateral tax agreements which results in unsatisfactory double taxation in the EU;
19. Supports, with a view to restricting the distortions produced by tax havens, the initiatives taken within the OECD to identify practices which facilitate fraudulent or criminal conduct and can therefore be considered harmful or unfair; in particular backs the 'information coordination' approach;
20. Calls on the Member States to use a special common printed form for transfers to tax havens in order to increase transparency;
21. Considers that there is an urgent need for the Commission to tackle the main tax obstacles to cross-border activity by European firms, particularly those linked to the fiscal treatment of intra-group transfer pricing, cross-border loss relief and cross-border flows of income between associated companies; therefore welcomes the Commission's preliminary announcement of immediate action in the company taxation field;
22. Shares the Commission's opinion that, with a view to reducing the legal costs of complying with 15 different tax systems and reconciling their existence with the internal market, it ought to be possible for EU companies with Community-wide operations — including those which in future are constituted as European Companies — to have a consolidated corporate tax base, or one calculated on the basis of a single set of rules, as well as a mechanism for distributing the consolidated tax base across the various Member States; specifically, is interested in the idea of Home State Taxation, perhaps as an intermediate stage in moving towards a common tax base, i.e. towards new harmonised EU rules, existing in parallel to national rules, available to European companies as an optional scheme;

<sup>(1)</sup> OJ C 139, 6.5.1997, p. 14.

Thursday 14 March 2002

23. Emphasises that the subsidiarity principle should guide EU taxation policy; agrees with the Commission in firmly emphasising that, whatever approach is taken to establishing a European consolidated tax base, decisions on levels of tax must remain within the exclusive competence of the Member States; therefore considers that the harmonisation of tax on company revenue makes no sense, even in the form of the introduction of a minimum level of tax;
24. Points out that top priority should be given in this field to establishing uniform definitions for the basic concepts, e.g. basis of tax assessment, profit, loss, taxable income, depreciation rules, transfer to reserve, etc.;
25. Points out that the tax bases that are easily mobile, e.g. capital, require by their very nature that future tax debate is conducted from a perspective that also looks to the situation outside the Union;
26. Acknowledges that completion of the internal market and the introduction of the euro will lead to increased competition which may, in the long run, lead to more uniform taxation within the Union; points out, however, that the final decisions on the form and level of taxation rest with the individual Member States;
27. Does not believe that gaps in corporate taxation run counter to the goal of increasing the European economy's competitiveness and dynamism; points out that differences in other factors of production in individual countries also affect decisions about where investments are made;
28. Congratulates the Commission on its efforts to identify non-legislative instruments to coordinate tax policies (political instruments including soft legislation, recommendations and infringement proceedings) and notes that these have already borne fruit in the 'Code of conduct';
29. Considers that Parliament should be given co-decision powers in the taxation area;
30. Considers it advisable that, while the principle of unanimity should be retained whenever tax bases or rates of taxation are at issue, qualified majority voting should be adopted for decisions concerning mutual assistance and cooperation between tax authorities;
31. Instructs its President to forward this resolution to the Council and Commission and the parliaments and governments of the Member States.
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## Legal personality of the European Union

### European Parliament resolution on the legal personality of the European Union (2001/2021(INI))

*The European Parliament,*

- having regard to the Treaty signed in Nice on 26 February 2001 and Declaration No 23 on the future of the Union annexed to the Nice final act,
- having regard to its resolutions of 17 May 1995 on the functioning of the Treaty on European Union with a view to the 1996 Intergovernmental Conference — Implementation and development of the Union <sup>(1)</sup>, 19 November 1997 on the Treaty of Amsterdam <sup>(2)</sup>, 18 November 1999 on the preparation

<sup>(1)</sup> OJ C 151, 19.6.1995, p. 56.

<sup>(2)</sup> OJ C 371, 8.12.1997, p. 99.