IP/09/650

Brussels, 28 April 2009

Taxation and Good governance: The European Commission proposes actions to improve transparency, exchange of information and fair tax competition

The European Commission today has adopted a Communication identifying actions that EU Member States should take to promote "good governance" in the tax area (i.e. more transparency, exchange of information and fair tax competition). The Communication identifies how good governance could be improved within the EU. It also lists the tools the EU and its Member States have at their disposal to ensure that good governance principles are applied at international level. Finally, it calls on Member States to adopt an approach that is more coherent with good governance principles in their bilateral relations with third countries and in international fora. The Communication builds on the existing EU policy on good governance and the recent G20 conclusions concerning uncooperative tax jurisdictions.

László Kovács, Commissioner for Taxation and Customs, said: ”EU Member States cannot afford to act alone when designing policies to prevent their tax revenues disappearing to tax havens or non cooperative jurisdictions If they do not cooperate with each other, including in international fora, their actions to protect their revenues will not produce effective results'

Improve good governance within the EU

Improving good governance within the EU would reinforce the argument for other jurisdictions to take similar steps.

The Commission therefore calls on the Member States of the Union to adopt as soon as possible its recent proposals to:

- Ensure effective administrative cooperation in the assessment of taxes which would, in particular, prohibit Member States in future from invoking bank secrecy laws as a justification for not assisting the tax authorities of other Member States (IP/09/201);
- Ensure administrative cooperation in the recovery of tax claims;
- Improve the functioning of the Savings Tax Directive (IP/08/1697). There is a need to extend the scope of the Directive to intermediate tax-exempted structures (trust, foundations…) and to income equivalent to interest obtained through investments in some innovative financial products.

The Commission also calls on Member States to continue the work to eliminate harmful business tax measures under the Code of Conduct for Business Taxation.

Promote good governance in the relations with third countries

The European Commission proposes to improve the particular tools that the European Community and EU Member States may have at their disposal to promote good governance internationally:

- it identifies ways to ensure better coherence between EU policies in general, so that EU partners would commit to good governance principles. This includes enhancing good governance principles in relevant EU-level agreements with third countries as well as through development cooperation incentives;
- it calls on the EU Member States to adopt a coordinated and coherent approach in the promotion of good governance principles towards third countries, including, where appropriate, coordinated action against jurisdictions that refuse to apply good governance principles.

Some of the concrete actions proposed are:

- To invite the Council to give the appropriate political priority to the mandate given to the Commission to include good governance principles in relevant EU agreements with third countries.;
- To discuss with Member States possible counter-measures towards non cooperative jurisdictions in the tax area (the OECD Secretariat has suggested a list of measures. These will need to be examined together with the Member States);
- To promote more cooperation with third countries in the framework of the Savings Tax Directive;
- To conclude specific agreements in the tax area containing, if appropriate, provisions on transparency and exchange of information for tax purposes at EU level to accelerate the process of implementing commitments to greater transparency and exchange of information made by certain jurisdictions;
- To consider a reallocation of funds towards developing countries that are implementing satisfactorily their commitments; and, conversely, considering a cancellation of funds earmarked for those countries that did not implement their commitments;
- More coherence between Member States' own bilateral tax policies towards third countries and the principles of good governance in the tax area.

Background

With the financial crisis, the need for national governments to safeguard their tax revenues is more acute than ever.

The need to promote international tax cooperation and common standards has now become a regular item on the agenda of discussions, both within the EU and in international fora. Most recently, the G20 Leaders agreed at their summit in London (April 2, 2009), "to take action against non-cooperative jurisdictions, including tax havens".

The Commission's present Communication is a response to the questions raised at international level placed firmly in the EU context of its overall policy on good governance in tax matters.

The texts of the proposals are available at this web link:

http://ec.europa.eu/taxation_customs/index_en.htm

Further information on the strategy to improve anti-fraud measures can be found at:

http://ec.europa.eu/taxation_customs/taxation/tax_cooperation/gen_overview/index_en.htm