Opinion **International tax**

An EU tax crackdown is essential for sustainable growth

Information sharing and an improved blacklist will make this possible

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Paolo Gentiloni speaks at a press conference on the recovery plan at the European Commission in Brussels in May © Getty Images

Paolo Gentiloni 13 HOURS AGO

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The leaders of the EU's 27 member states and institutions converge on Brussels this week to negotiate the recovery plan proposed by Ursula von der Leyen, European Commission president. We can afford neither failure nor delay. Europe is experiencing a devastating and uneven economic shock. Yet in this challenge lies an opportunity: to transition to a more sustainable and fairer growth model.

The crisis and its demands on public finances make European taxation reform more important than ever. Much progress has already been made to shut down opportunities for tax fraud and evasion and to combat aggressive tax planning, in Europe and globally. But that work is far from concluded. Annual revenue losses in the EU due to international tax evasion by individuals have been estimated at €46bn; corporate tax avoidance at more than €35bn; and cross-border VAT fraud at €50bn.

Even though the EU General Court on Wednesday rejected the commission's 2016 demand that Apple repay up to €13bn in Irish tax benefits, aggressive tax planning has been and remains a significant concern.

In this spring's annual review of EU economies, the commission identified six member states whose tax systems companies may be using for aggressive tax planning. Such practices in one EU country led to tax revenue losses in others. They distort the level playing field on which our single market is built. While some countries have taken steps in the right direction, we must stand ready to activate all existing policy levers to protect our single market. That includes exploring how to make full use of EU treaty provisions that let taxation proposals be adopted not by unanimity but by qualified majority, in agreement with the European Parliament.

Clearly, to tackle tax evasion and avoidance we need to look beyond the EU's borders. Since we introduced the first EU-level blacklist of global tax havens four years ago, 95 jurisdictions have been assessed and more than 120 harmful tax regimes have been eliminated.

Now we are moving to strengthen this tool. Building on rules in place to prevent EU funds from supporting projects that contribute to tax avoidance, the commission this week recommended that member states not grant financial support to any companies with links to blacklisted jurisdictions.

Today we announce further measures to make the listing process more effective. We will update the scoreboard used to select the jurisdictions we screen, to include the most recent data and ensure all risks are covered. We will review the criteria that jurisdictions must comply with, to reflect the latest international developments in the fight against tax avoidance and evasion.

When businesses need all the help they can get and public revenues need safeguarding, we are also announcing 25 actions to reduce tax obstacles for firms, help national authorities to enforce tax rules and improve tax compliance, without imposing undue burdens on those hit by the crisis.

We are proposing the automatic exchange of information between EU tax administrations on revenues generated by sellers on digital platforms. This information will help tax administrations to verify that those who earn money through digital platforms pay the appropriate share of taxes.

Of course, this is only one step towards ensuring that our tax systems provide long-term sustainable revenues in an increasingly digitalised economy. Europe remains committed to making a success of the OECD's work to find a global solution to tax challenges arising from digitalisation. I hope the recent US move to put the brakes on these talks will be a temporary setback. We want a global solution to bring corporate taxation into the 21st century. But if that proves impossible this year, we will put forward a new EU proposal. Meanwhile, the commission stands as one with EU countries facing the threat of US sanctions because they have moved forward with their own digital services taxes. If needed, we will react as one.

Lastly, Europe must use taxation to deliver on its climate goals. In the first half of 2021, we will propose a revision of outdated EU rules on energy taxation, removing implicit subsidies for fossil fuels. We will also set out plans for a WTO-compatible carbon border adjustment mechanism, to deter companies from shifting production to countries with less stringent green regulations.

Decisions on taxation are never easy in the EU, but anything is possible when the political will is there. In recent years, successive tax scandals piled pressure on governments to make change happen — and it did. Now we must muster similar ambition not only to respond to the unprecedented economic shock caused by the pandemic, but to seize the opportunity it presents to transform our economies and societies for the better.