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## COMMISSION'S INITIATIVES AGAINST TAX FRAUD AND EVASION

Dear Commissioner,

Businesses contributed more than €1.5 Trillion or 28% of all tax revenues in the EU in 2011. They additionally play a key role in collecting taxes paid by other taxpayers and contribute to higher tax revenues by delivering economic growth and jobs. Businesses across Europe look forward to engaging constructively with the Commission in its objectives to combat tax fraud and evasion: clear and transparent tax systems are essential for a proper functioning of the economy and of the Single Market.

The Council, in its conclusion of 22<sup>nd</sup> May, and the Commission, in its December 2012 action plan against tax fraud and evasion, are right to set out priorities for measures to combat VAT fraud and tax evasion and for stricter rules against tax havens. Such practices distort competition at the expense of the vast majority of responsible businesses who pay the taxes in full.

We support the Council's decision to give priority to reinforced administrative cooperation and automatic exchange of information at EU and global levels in order to fight tax fraud and money laundering. The Commission's existing initiatives in this area can increase tax transparency, reduce the costs and complexity of tax systems, for both tax payers and tax administrations, and enhance the Single Market.

However, policy response must not put the vast majority of responsible European businesses at a competitive disadvantage by introducing further complexity, uncertainty and interference in corporate management. The Commission in particular should:

- Rethink proposals to combat VAT fraud in a way that brings more transparency without adding complexity and red-tape for businesses to an already burdensome European VAT system.
- Ensure that clear definitions of anti-abuse measures are adopted which do not create uncertainty in relation to the tax treatment of normal commercial arrangements.
- Avoid expanding the reporting requirements to country-by-country reporting on tax for all large companies without a full analysis of its appropriateness to improve tax compliance. We believe that the disclosure of sizeable highly



complex data risks bringing confusion rather than transparency, will not improve tax compliance or the understanding of the underlying tax issues.

Businesses are also concerned about revisions to EU and national legislation, such as bilateral double taxation conventions or the parent subsidiary directive, which would divert it from its initial aim of combating double taxation of cross border activities caused by conflicting national tax rules. The proposed solutions must not be misused in ways that undermine efforts to remove cross-border tax obstacles to trade and investment, within the Single Market or in relation to third countries. In particular they should not:

- Create barriers to countries encouraging investment and trade through competitive tax systems. Intentional non-taxation in national tax policy should not be penalized.
- Allow member states to claim taxation rights beyond what internationally accepted principles such as the Arm's Length Principle call for. Arbitration should be promoted.

Tax fraud and tax evasion are global issues that call for global solutions. The EU should not act unilaterally. We support on-going initiatives in the OECD, the G8 and the G20 to adapt international tax rules to changes in technology and in the overall economy. But all countries must be involved in a fair and inclusive manner to avoid uneven and uncoordinated efforts creating complexity in the tax treatment of international transactions and distortions in international competition and in the relocation of tax revenues between countries.

Therefore the Commission should facilitate a coordinated approach among all Member States to ensure a fair and reasonable outcome of the next agreements on international standards for all Member States, in particular for those who are not member of the OECD and the G20, and to reduce the risk of conflicting legislation and legal interpretations of any changes in international taxation. The on-going work could take inspiration from European initiatives such as an optional Common Consolidated Corporate Tax Base, with its common understanding of taxation principles and definition of economic activity.

Effective engagement with all stakeholders is required to ensure wide acceptance of tax rules in the EU and to make sure that EU initiatives on taxation remain in line with the need to encourage cross-border trade and investment. Businesses look forward in particular to engaging in a constructive dialogue with the Commission within the new platform on Tax Good Governance, Aggressive Tax Planning and Double Taxation.

Yours sincerely,



Markus J. Beyrer