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REPORT

on Fight against Tax Fraud, Tax Evasion and Tax Havens
(2013/2060(INI))

Committee on Economic and Monetary Affairs

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**MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION
on Fight against Tax Fraud, Tax Evasion and Tax Havens**

(2013/2060(INI))

The European Parliament,

- having regard to the Commission communication of 6 December 2012 on an Action plan to strengthen the fight against tax fraud and tax evasion (COM(2012)0722),
- having regard to the Commission recommendation of 6 December 2012 on aggressive tax planning (C(2012)8806),
- having regard to the Commission recommendation of 6 December 2012 regarding measures intended to encourage third countries to apply minimum standards of good governance in tax matters (C(2012)8805),
- having regard to the Commission recommendation of 27 June 2012 on concrete ways to reinforce the fight against tax fraud and tax evasion including in relation to third countries (COM(2012)0351),
- having regard to the Commission communication of 28 November 2012 on the Annual Growth Survey 2013 (COM(2012)0750),
- having regard to the Commission's proposal for a Directive of the European Parliament and of the Council on 5 February 2013 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (2013/0025 (COD)),
- having regard to The Financial Action Task Force (FATF) Recommendations of February 2012 on International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation,
- having regard to its resolution of 17 April 2012 on the call for concrete ways to combat tax fraud and tax evasion (2012/2599(RSP)),
- having regard to the report of 10 February 2012 by Richard Murphy FCA on ‘Closing the European Tax Gap’,
- having regard to the Council resolution of 1 December 1997 on a code of conduct for business taxation and to the Report of the Code of Conduct on Business Taxation Group to the Council of 4 December 2012,
- having regard to the OECD Report ‘Addressing Base Erosion and Profit Shifting’ (2013),
- having regard to the ECOFIN Conclusions and ECOFIN Report to the European Council on Tax issues of 22 June 2012,
- having regard to its Resolution of Tuesday, 8 March 2011 on Cooperating with developing countries on promoting good governance in tax matters,

- having regard to the Communiqué following the Meeting of Finance Ministers and Central Bank Governors of the G-20 which took place in Moscow on the 15 and 16 February 2013,
 - having regard to its resolution of 10 February 2010 on Promoting Good Governance in tax matters,
 - having regard to Rule 48 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs and the opinion of the Committee on Budgetary Control (A7-0000/2013),
- A. whereas an estimated and scandalous EUR 1 trillion of potential tax revenue is lost to tax fraud, tax evasion, tax avoidance and aggressive tax planning every year in the EU, representing an approximate cost of EUR 2000 for every European citizen each year, without appropriate measures being taken in response¹;
 - B. whereas this loss represents a danger for the safeguarding of the EU social market economy based on quality public services, is one of the threats to the proper functioning of the Single Market, a dent to the efficiency and fairness of tax systems within the EU, a risk to the ecological transformation of the economy, and produces and further facilitates socially detrimental profiteering which leads to growing inequality, increases citizens' mistrust in democratic institutions and cultivates an environment of democratic deficit;
 - C. whereas an important part of fiscal sustainability is securing our revenue basis;
 - D. whereas tax fraud and tax evasion constitute an illegal activity of evading tax liabilities, while, on the other hand, tax avoidance is the legal but improper utilisation of the tax regime to reduce or avoid tax liabilities and aggressive tax planning consists in taking advantage of the technicalities of a tax system or of mismatches between two or more tax systems for the purpose of reducing tax liability;
 - E. whereas tax avoidance practices, which are facilitated by the increasing dematerialisation of the economy, lead to distortions of competition harmful to European undertakings and growth;
 - F. whereas the scale of tax fraud and tax avoidance undermines citizens' trust and confidence in the fairness and legitimacy of tax collection and fiscal system as a whole;
 - G. whereas the lack of coordination of tax policies in the EU leads to significant cost and administrative burden for citizens and businesses operating cross-border within the EU and may result in unintended non-taxation or lead to tax fraud and tax avoidance;
 - H. whereas the persistence of distortions caused by non-transparent or harmful tax practices on the part of jurisdictions acting as tax havens can lead to artificial flows and negative effects within the EU internal market; whereas harmful tax competition within EU is clearly against the logic of the single market; whereas more efforts are needed to

¹ http://ec.europa.eu/taxation_customs/taxation/tax_fraud_evasion/index_en.htm

harmonise tax bases within an ever-closer economic, fiscal and budgetary Union;

- I. whereas countries under assistance programmes have in the last years, after stepping up tax collection and eliminating privileges in line with Troika proposals, seen many of their larger companies leave in order to benefit from tax privileges offered by other countries; whereas in the case of Greece the Commission has calculated that as much as €60 billion have escaped from Greece to Swiss banks since the beginning of 2012;
- J. whereas in practice this has shifted the tax burden onto workers and low-income households and forced damaging cutbacks in public services;
- K. whereas the job cuts in majority of Member States' national tax authorities through austerity measures over the past years greatly jeopardise the implementation of the Commission's Action Plan;
- L. whereas multinational companies to make use of such practices conflicts with the principle of fair competition and corporate responsibility;
- M. whereas the response of some taxpayers to the steps taken by Member States to remedy the lack of transparency has been to route business or transactions through another jurisdiction with a lower level of transparency;
- N. whereas unilateral national measures have in many cases proven ineffective, insufficient and in some cases even detrimental to the cause and this necessitates a coordinated and multi-pronged approach at national, EU and international level; whereas the effective fight against tax fraud, tax evasion, tax avoidance and aggressive tax planning requires strongly reinforced cooperation between the tax authorities of different Member States as well as reinforced cooperation of the tax authorities with other law enforcement authorities within a given Member State;
- O. whereas, as stated by the OECD in its report on Addressing Base erosion and Profit Shifting, the fundamental policy issue to be tackled is the fact that the international common principles drawn from national experiences to share tax jurisdiction have not kept pace with the changing business environment; whereas a more active role of the Commission and the Member States is required in the international arena to work for establishment of international standards based on principles of transparency, exchange of information and abolition of harmful tax measures;
- P. whereas developing countries do not have the bargaining power to force tax havens to cooperate, exchange information and become transparent;
- Q. whereas investigative journalism, the non-governmental sector and the academic community have been instrumental in exposing cases of tax fraud, tax avoidance and tax havens and duly informing the public thereof;
- R. whereas the strengthening of the means of detecting tax fraud should be accompanied by the reinforcement of the existing legislation on assistance in the recovery of taxes, equality in tax treatment and practicability for businesses;

- S. whereas European finance ministers in February 2013 at the G20 meeting in Moscow vowed to take the necessary action in tackling tax avoidance and confirmed that solely national measures will not deliver desired effects;
- T. whereas transfer pricing resulting in tax avoidance negatively affects the budgets of developing countries with an estimated loss of circa 125 billion euros in tax revenues annually which represents almost twice the amount developing countries receive in international aid;
- U. whereas the power to legislate on taxation is currently vested in the Member States;
1. Welcomes the Commission's Action Plan and its recommendations urging MS to take immediate and coordinated action against tax havens and aggressive tax planning;
 2. Welcomes the determination expressed by the G20 Finance ministers to address base erosion and profit shifting;
 3. Urges Member States to follow up on their commitment, embrace the Commission's Action Plan, fully implement the two recommendations; insists that Member States engage in serious negotiations and complete the procedures for all pending legislative proposals as well as applying measures regarding issues of tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens in their dependent territories;
 4. Deplores that the Member States haven't yet managed to reach an agreement on key legislative proposals such as the 2008 proposal to amend the Council Directive 2003/487EC on taxation of savings income in the form of interest payments or the 2011 Proposal for a Council Directive on a Common Consolidated Corporate Tax Base;
 5. Regrets the lack of substantial progress to the date in the area of taxation in the framework of the commitments of the Euro Plus Pact;
 6. Welcomes the Commission's initiative to establish a 'Platform for Tax Good Governance'; calls on the Commission to closely monitor the implementation of both recommendations in all Member States, and to consult and involve in the workings of the Platform also the national tax workforce, social partners and trade unions; calls on the Commission to submit on a yearly basis to the Council and the European Parliament a report about the work and achievements of the Platform;
 7. Considers that the scope and severity of the problem and the urgency of actions needed are highlighted by the information published by the International Consortium of investigative journalism in April 2013 on secret off-shore bank accounts; in light of this calls once more for strengthened European and international commitment to transparency that should result in an international, binding, multilateral, agreement on the automatic exchange of information in tax matters;

The EU's role in the international arena

8. Emphasises that the EU should take the leading role in the discussions in the OECD, the Global Forum on Transparency and Exchange of information for Tax Purposes, the G20

and G8 and other relevant multinational fora on the fight against tax fraud, tax avoidance and tax havens; urges the Commission and the Member States to consistently highlight on the international arena the paramount importance of reinforced cooperation in the fight against tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens; stresses that the EU should persuade and assist where appropriate non-EU countries, in building up and improving the efficiency of their respective tax collection systems by subscribing to the principles of transparency, automatic exchange of information and abolition of harmful tax measures; encourages the Commission and Council to upgrade technical assistance and capacity building in developing countries;

9. Considers it of paramount importance that Member States authorise the Commission to negotiate tax agreements with third countries on behalf of the EU instead of continuing with the practice of bilateral negotiations producing sub-optimal results from the point of view of the EU as a whole and often also of the Member State concerned;
10. Stresses that Member States that have received¹ or are seeking financial assistance have an obligation to implement measures designed to strengthen and improve their capacity to collect tax and tackle tax fraud and tax evasion; urges the Commission to extend this obligation to encompass measures tackling money laundering, tax avoidance and aggressive tax planning;
11. Calls on the Commission to refrain from granting EU funding, and to ensure that Member States do not provide state aid or access to public procurement to the companies that breach EU tax standards; calls on the Commission and Member States to require a disclosure of information related to penalties or convictions for tax related offences for all companies bidding for a public procurement contract; suggest that public authorities, while respecting obligations agreed under the revised Late Payments directive, are enabled to include a clause in a public procurement contract that allows them to terminate the contract if a supplier subsequently breaches the tax compliance obligations;
12. Calls on the Commission to propose common standards for tax treaties of Member States with developing countries with the aim of avoiding tax base erosion for these countries;
13. Calls on the Commission to provide more budgetary resources and staff to DG TAXUD to help it develop EU policies and proposals concerning double non-taxation, tax evasion and fraud;
14. Calls on the Commission and the Member States to strictly apply the EU standards in tax related matters as a condition in their respective relations with third countries, in particular in cases of future bilateral or multilateral trade agreements;
15. Welcomes the US Foreign Account Tax compliance Act (FATCA) as a first step towards an automatic exchange of information between the EU and the US to fight the trans-border tax fraud and tax evasion; regrets, however the bilateral/intergovernmental approach taken in the negotiations with the US instead of a common EU negotiating

¹ Regulation (EU) No .../2012 of the European Parliament and of the Council on the strengthening of economic and budgetary surveillance of Member States experiencing or threatened with serious difficulties with respect to their financial stability in the euro area

position; regrets the lack of full reciprocity in the exchange of information; calls for the respect of the rights of data protection for EU citizens in this context;

16. Calls on the Commission to and the Member States to closely review and duly implement the Financial Action Task Force (FATF) Recommendations of February 2012;

Headline target - Addressing the tax gap

17. Calls on Member States to commit to an ambitious but realistic target of at least halving the tax gap by 2020, since this would gradually create a significantly higher tax revenue potential without raising tax rates;

18. Acknowledges furthermore that broadening already existing tax bases, rather than increasing tax rates or introducing new taxes, could generate further incomes for the Member States;

19. Calls on the Commission at least to develop a comprehensive strategy based on concrete legislative actions within the framework of the existing Treaties to close the EU tax gap and ensure all companies that have operations in the EU fulfil their tax obligations in all the member states in which they are operating;

20. Stresses that reducing the tax gap and measures to tackle tax havens, evasion and avoidance would result in fair and transparent competitive conditions on the internal market, help with fiscal consolidation while reducing sovereign debt levels, increase public investment resources, improve the efficiency and fairness of national tax systems, and raise general tax compliance levels, both in the EU and in developing countries;

21. Calls on the Commission and the Member States to enhance the use of the FISCALIS programme by integrating the tax gap strategy into it;

22. Asks the Commission to study the possibility of introducing European taxation on cross-border business models and electronic commerce;

Proposes the following actions to be at the forefront of the EU tax gap strategy:

On tax fraud and tax evasion

23. Urges Member States to allocate adequate staff, expertise and budget resources to their national tax administrations and tax audit staff as well as resources for the training of the tax administration staff focusing on cross-border cooperation on tax fraud and avoidance and introduce strong tools against corruption;

24. Calls on the Commission to take immediate action with regard to transparency of companies tax payments by obliging all multinational companies to publish a simple, single figure for the amount of tax paid in each member state in which they are operating;

25. Stresses the importance of a Common Consolidated Corporate Tax Base (CCCTB) and calls on Member States to agree and implement the directive on a CCCTB by moving gradually from an optional to a compulsory scheme as defined in the European Parliament legislative resolution of 19 April 2012 on the proposal for a Council directive on a

CCCTB;

26. Is of the opinion that competent authorities should take action and suspend or revoke the banking licenses of financial institutions and financial advisors if they assist in tax fraud by offering products or services to customers enabling them to evade taxes or refuse to cooperate with tax authorities;
27. Welcomes the Commission's inclusion of listing of tax crimes as predicate offences to money laundering included in the scope of the new Anti-Money Laundering Directive (2013/0025 (COD)) and calls for a swift implementation; encourages the Commission to introduce proposals for a harmonised tackling of tax fraud under criminal law, in particular as regards cross border and mutual investigations; alerts the Commission to enhance its cooperation with other EU law enforcement bodies, in particular with authorities responsible for anti-money laundering, justice and social security;
28. Calls on Member States to remove all obstacles in national law that hinder cooperation and exchanges of tax information with the EU institutions and within the Member States, while also ensuring effective protection of taxpayers' data;
29. Calls on the Commission to identify the areas where the EU regulation and the member state administrative cooperation could be improved in order to reduce tax fraud, including the appropriate use of the FISCALIS and CUSTOMS programs;
30. Welcomes the adoption by the Council of the new framework for administrative cooperation and calls for the prompt implementation by the Member States of this framework;
31. Encourages Member States to seek 'smoking gun' data on tax evasion from other government-maintained registers, such as databases on motor vehicles, land, yachts and other assets; and to share this with other Member States and the Commission;
32. Stresses the importance of implementing new strategies and making more efficient use of existing EU structures for improved combating of VAT fraud, especially carousel fraud; urges, in this respect, the Council to promptly adopt and implement the Directive amending Directive 2006/112/EC on the common system of value added tax as regards a quick reaction mechanism against VAT fraud;
33. Encourages the Member States to continue and upgrade, under the new Fiscalis 2020 programme, the simultaneous controls to find and fight cross-border tax fraud as well as facilitate presence of foreign officials in the offices of tax administrations and during administrative enquiries; highlights the importance of stronger cooperation between the tax authorities and other law enforcement bodies, especially with the view of sharing information acquired in relation to investigations linked to money laundering and related tax crimes;
34. Recalls that the elimination of the informal economy cannot be realised without the implementation of appropriate incentives; suggests, moreover, that Member States must report, via scoreboard, the extent to which they have succeeded in reducing their informal economies;

35. Supports the efforts of IOSCO to introduce Legal Entity Identifiers as a step towards ensuring traceability and transparency of financial transaction, key to facilitate the fight against tax fraud;
36. Notes that the dismantling of tax privileges creates scope for comprehensive reforms leading to an uncomplicated, understandable and fair taxation system;
37. Points out that legal proceedings against tax fraud are cumbersome and lengthy, and that those found guilty receive in the end relatively mild sentences, making tax fraud something of a risk-free crime;
38. Emphasises the potential of e-government in terms of increasing transparency and combating fraud and corruption, thereby helping to protect public funds; stresses the need for legislation that enables continuous innovation;
39. Calls on the Commission to address specifically the problem of hybrid mismatches between different tax systems in the Member States;
40. Notes, however, that as VAT is an ‘own resource’, tax evasion in that area does have a direct influence on both the economies of the Member States and the EU budget; recalls that, in the words of the Court of Auditors, ‘VAT evasion affects the financial interests of Member States. It has an impact on the EU budget as it leads to lower VAT-based Own Resources. This loss is compensated by the GNI-based own resource, distorting individual Member States’ contributions to the EU budget. Moreover, tax fraud undermines the functioning of the internal market and prevents fair competition’¹;
41. Notes that the EU’s VAT system provides a significant part of public revenues – 21 % in 2009² – but is also the cause of a high level of both unnecessary compliance costs and tax avoidance;
42. Points out that ever since VAT was introduced, the model for collecting it has remained unchanged; stresses that as this model is outdated, given the many changes that have taken place in the technological and economic environment, its continued use leads to substantial losses;
43. Stresses that the correct operation of the customs system has direct consequences in terms of the calculation of VAT; is deeply worried that customs checks in the EU are not functioning properly, resulting in significant VAT losses³; finds it unacceptable that, in most Member States, the tax authorities have no direct access to customs data and that automated cross-checking with tax data is therefore not possible; points out that organised

¹ Special Report of the Court of Auditors No 13/2011, p. 11, paragraph 5.

² European Parliament, Directorate-General for Internal Policies, Policy Department A (Economic and Scientific Policy): ‘Simplifying and Modernising VAT in the Digital Single Market’ (IP/A/IMCO/ST/2012_03), September 2012,

<http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=75179>

³ According to the Court of Auditors’ Special Report No 13/2011, in 2009 the application of customs procedure 42 alone accounted for extrapolated losses of approximately EUR 2 200 million with regard to the seven Member States audited, representing 29 % of the VAT theoretically applicable on the taxable amount of all the imports effected under customs procedure 42 in those seven Member States in 2009;

crime is well aware of the weaknesses of the actual system;

On tax avoidance and aggressive tax planning

44. Calls on the Member States, as a matter of priority, to adopt and implement the amended Savings Tax Directive in order to close the loopholes of the existing Directive and better prevent tax evasion;
45. Welcomes the international discussions on the updating of the OECD guidelines on transfer pricing i.e. shifting of profits to tax havens to avoid tax in both developed and developing countries; urges the Commission and Member States to take immediate action on transfer pricing and to review the current rules on transfer pricing, in particular in relation to the shift of risks and intangibles, the artificial splitting of ownership of assets between legal entities in a group and transactions between these entities that would rarely take place between independents; calls on the Commission to develop the system of Advance Pricing Agreement applicable to transfer pricing, whereby a new requirement would be added to the existing obligations under the EU Transfer Pricing Documentation guidelines; suggests that the documentation as well as the tax declaration requirements shall be broader for transactions with blacklisted jurisdictions;
46. Welcomes the progress made on country-by-country reporting under the Accounting and Transparency Directives; calls on the Commission to introduce as the next step country-by-country reporting for cross-border companies in all sectors, enhancing the transparency of payments transactions by requiring disclosure of information such as nature of activities and geographical location, turn-over, number of employees on a full time equivalent basis, profit or loss before tax, tax on profit or loss, public subsidies received on a country by country basis on the trading of a group as a whole in order to monitor respect for proper transfer pricing rules;
47. Calls on the proposal for the revision of the Anti-Money Laundering directive to be complemented by introducing the obligation to create publically available government registers of the beneficial ownership of companies, trusts, foundations and other similar legal structures;
48. Calls on Member States to improve the effectiveness of the Code of Conduct for business taxation by raising issues at Council level where political decisions are urgently needed; urges the Commission to intervene actively in cases where the Code of Conduct Group cannot agree on procedures to remove mismatches in national tax systems;
49. Calls on the Commission to prepare and promote a Code of Conduct for auditors and advisers; calls on auditing firms to alert national tax authorities to any signs of aggressive tax planning of the audited company;
50. Auditors are not allowed to provide prohibited non audit services. Tax advisory services relating to structuring transactions and tax consulting have to be considered as prohibited non audit services;
51. Notes that proper identification of taxpayers is key to successful exchange of information between national tax administrations; calls on the Commission to speed up the creation of

an EU tax identification number (TIN), applicable to all legal and natural persons engaged in cross-border transactions; is of the opinion that the TIN should be connected to an international open database for VIES (VAT) system, assisting in identifying the unpaid taxes and other avoided liabilities;

52. Calls on the Commission to present in 2013 a proposal for the revision of the Parent-Subsidiary Directive and the Interests and Royalties Directive with a view to revise and align the anti/abuse clauses within both Directives, and eliminate double non-taxation facilitated by hybrid entities and financial instruments in EU;
53. Urges Member States to swiftly implement the Commission's proposal for the introduction of a General Anti-Abuse Rule to counteract aggressive tax planning practices, and include a clause in their Double Taxation Conventions to prevent occurrences of double non-taxation; encourages Member States to ignore any tax benefits arising from artificial arrangements or those lacking commercial substance; suggests work to be started on the standard set of rules for EU Member States to prevent double taxation;
54. Welcomes the work by the Commission on creating a European taxpayer's code; is of the opinion that such a code will help increase the legitimacy and intelligibility of the given tax system, enhance cooperation, trust and confidence between tax administrations and taxpayers and assist taxpayers by ensuring greater transparency on their rights and obligations;
55. Encourages the Commission and Member States to establish efficient revenue-collecting mechanisms that minimise the distance between taxpayers and tax authorities and maximise the use of modern technology; calls on the Commission to tackle complexities of taxing electronic commerce by developing appropriate EU standards;
56. Calls on Member States to ensure that financial sector lobbying, which often results in legal tax avoidance and aggressive tax planning regimes, be made as transparent as possible;
57. Encourages the Commission to regulate financial flows from Member States to third countries arranged for the purposes of tax avoidance and to create a balanced and competitive tax framework;
58. Urges the Commission to take action on companies' aggressive tax planning units, in particular in the financial services sector;
59. Calls on the Commission to carry out an in-depth study into the difference, in the Member States, between legal and actual corporation tax rates in order to ensure that the debate on fiscal harmonisation is based on objective data;
60. Calls on Member States to notify and make public individual tax rulings by national authorities for cross-border companies; insists that Member States apply strict substance requirements for cross-border companies in order to obtain a tax ruling;
61. Observes that trusts are often used as conduits for tax evasion, however, notes with concern that the majority of countries do not require registration of legal arrangements;

calls on the EU to introduce a European register for trusts and other secrecy entities, as a prerequisite for dealing with tax avoidance;

On tax havens

62. Calls for a common EU approach towards tax havens;
63. Calls on the Commission and the Member States to consider setting up measures to enable the social reuse of funds confiscated through criminal proceedings in cases of tax fraud and tax avoidance; therefore calls for a substantial part of the funds confiscated to be reused for social purposes and reinjected into the local and regional economies directly or indirectly affected by tax crimes;
64. Calls on the Commission to adopt a clear definition and common set of criteria to identify tax havens, as well as appropriate measures applying to identified jurisdictions;
65. Calls on the Commission and the Member States to foster an environment where the role of the civil society in exposing cases of tax fraud and tax havens will be fully protected, inter alia by setting up effective systems of whistleblower and journalistic sources protection;
66. Calls on the Commission to deliver a clear definition of tax havens, for implementation by 31 December 2014, and to ensure its consistency throughout all EU legislation; suggests this be based on the OECD standards of transparency and exchange of information as well as the Code of Conduct principles and criteria;

In this regard, a jurisdiction is to be considered a tax haven if one or several of the following indicators are fulfilled:

- (i) advantages are accorded only to non-residents or in respect of transactions carried out with non-residents,
- (ii) advantages are ring-fenced from the domestic market, so they do not affect the national tax base,
- (iii) advantages are granted even without any real economic activity and substantial economic presence within the jurisdiction offering such tax advantages,
- (iv) the rules for profit determination in respect of activities within a multinational group of companies departs from internationally accepted principles, notably the rules agreed upon within the OECD,
- (v) the tax measures lack transparency, including where legal provisions are relaxed at administrative level in a non-transparent way,
- (vi) the jurisdiction imposes no or nominal tax on the relevant income,
- (vii) there are laws or administrative practices that prevent the effective exchange of information for tax purposes with other governments on taxpayers benefiting from the no or nominal taxation, breaching the standards laid down in Article 26 of the

OECD Model Tax Convention on Income and on Capital,

(viii) the jurisdiction creates non-transparent and secretive structures that render the formation and working of company registries and registers of trusts and foundations to be incomplete and non-transparent,

(ix) the jurisdiction is listed as a Non-Cooperative Country and Territory by FATF;

67. Urges the Commission to compile and create a public European blacklist of tax havens by 31st December 2014; in this context; calls on the relevant authorities:

- to suspend or terminate existing Double Tax Conventions with jurisdictions that are on the blacklist, and to initiate Double Tax Conventions with jurisdictions that cease to be tax havens;
- to prohibit access to EU public procurement of goods and services and refuse to grant state aid to companies based in blacklisted jurisdictions;
- to prohibit access to state and EU aids for companies that continue to conduct operations involving entities belonging to blacklisted jurisdictions;
- to review the Auditing and Accounting Directives so as to require separate accounting and auditing of profits and losses of each holding company of a given EU legal entity situated in a blacklisted jurisdictions;
- to prohibit EU financial institutions and financial advisors to establish or maintain subsidiaries and branches in blacklisted jurisdictions and to consider revoking licenses for European financial institutions and financial advisors, which maintain branches and continue operating in blacklisted jurisdictions;
- to introduce a special levy on all transactions to or from blacklisted jurisdictions;
- to secure the abolition of exemptions from taxation at source for individuals who are non-residents for tax purposes in blacklisted jurisdictions;
- to examine a range of options for the non-recognition, within the EU, of the legal status of companies set up in blacklisted jurisdictions;
- to apply tariff barriers in cases of trade with blacklisted third countries;
- to strengthen the dialogue between the Commission and the European Investment Bank in order to ensure that investment is withheld for projects, beneficiaries and intermediaries from blacklisted jurisdictions;

68. Is of the opinion that the minimum standards in the Commission Recommendation regarding measures intended to encourage third countries to apply minimum standards of good governance should explicitly apply to Member States themselves as well;

69. Encourages Member States to offer cooperation and assistance to developing third countries which are not tax havens, helping them to effectively tackle tax fraud and tax

avoidance in particular through capacity building measures; supports the Commission's call that to this end the Member States should second tax experts to such countries for a limited period of time;

70. Calls on the Commission to fully contribute to the further development of the OECD BEPS (Base Erosion and Profit Shifting) project by sharing analysis on the problematic tax regimes in and between Member States, and what changes in Member States and at EU level are needed to avoid tax fraud and evasion, as well as any form of aggressive tax planning. Calls on the Commission to report regularly on this process to Council and Parliament;
71. Stresses the need to mobilise and secure tax resources in developing countries in order to achieve the MDGs, as they are more predictable and sustainable than foreign assistance and help to reduce debt; notes, however, that tax resources-to-GDP ratios are low in most developing countries, which are confronted with social, political and administrative difficulties in establishing a sound public finance system, thereby making them particularly vulnerable to tax evasion and avoidance activities by individual taxpayers and corporations;
72. Points out that illicit outflows are a major explanation for developing country debt, while aggressive tax planning is contrary to the principles of Corporate Social Responsibility;
73. Notes that tax systems in many developing countries are not in line with international standards (weak fiscal jurisdiction and inefficiencies in tax administration, high level of corruption, insufficient capacity to introduce and sustain well-functioning tax registers, etc.); calls on the EU to upgrade its assistance within the remit of the DCI and EDF in terms of tax governance and in addressing international tax fraud and excessive optimisation, by building up the capacity of developing countries to detect and prosecute inappropriate practices through stronger tax governance cooperation; considers also that support should be provided for the economic reconversion of developing countries that are tax havens;
74. Welcomes the first steps taken with the Global Forum (GF) peer reviews on tax evasion; believes, however, that, by focusing on the OECD's 'upon request' information exchange system, GF standards will be ineffective in curtailing illicit financial flows;
75. Points out that by reinforcing a bilateral rather than a multilateral approach to transnational tax issues, double taxation agreements (DTA) risk encouraging transfer pricing and regulatory arbitrage; calls on the Commission, therefore, to refrain from promoting such agreements, instead of tax information exchange agreements (TIEAs), since the former usually result in a fiscal loss for developing countries through lower withholding tax rates on dividend, interest and royalty payments;
76. Instructs its President to forward this resolution to the Council, Commission, the OECD and the UN Committee of Experts on International Cooperation in Tax Matter, the OLAF Supervisory Committee and OLAF.

EXPLANATORY STATEMENT

A scandalous European tax gap

An estimated 1 trillion € in public money is lost due to tax fraud and tax avoidance every year in the EU. This alarming size of the tax gap represents a rough yearly cost of 2000 € for every European citizen. The average of the tax lost in Europe today exceeds the total amount that Member States spend on healthcare, and it amounts to more than four times the amount spent on education in the EU.

The current tax gap in Europe represents not only an alarming loss of public revenue but also a danger for the safeguarding of the EU social model based on quality public services available to all. It is a threat to the proper functioning of the Single Market and a dent to the efficiency and fairness of tax systems within the EU. The loss of revenues continues to increase the deficit and debt levels in the Member States right at the most crucial time of fighting the crisis. Due to tax fraud and tax avoidance, funds available to foster public investment, growth and employment are waning.

All of this in times of the biggest economic, financial and social crisis since decades, when the automatic stabilisers of the welfare state remain more relevant than ever to ensure growth and social cohesion. Let's also be reminded that effective and progressive taxation remains fundamentally important for public authorities in their task of fulfilling their obligations and meeting the needs and expectations of their citizens.

A large part of the non-taxed liquidity is feeding into financial trading activities rather than public consumption and investment. Moreover, the lack of coordination of tax policies in the EU leads to significant costs and administrative burdens for citizens and businesses operating cross-border within the EU, and may cause non-taxation or lead to tax fraud and tax avoidance. Today an increasing number of European businesses and individuals find themselves in a competitive disadvantage compared to those that find ways to avoid paying their fair share. Consequently, the scale of tax fraud and tax avoidance ends up undermining citizens' trust and confidence in the fairness and legitimacy of tax collection and the fiscal system as a whole.

Additionally, countries under assistance programmes have in the last years, after stepping up tax collection and eliminating privileges in line with Troika proposals, seen many of their larger companies leave in order to benefit from tax privileges offered by other countries. In the case of Greece the Commission has calculated that as much as €60 billion have escaped from Greece to Swiss banks since the beginning of 2012.

Tax fraud and tax avoidance, therefore, represent a serious, multi-faceted problem, requiring a coordinated approach, at national, EU and international level. With Member States holding competency over their fiscal systems, action on national level is important. But in today's globalized economy with the cross-border nature of tax fraud and tax avoidance along with Member States' drive to maintain competitiveness, solely unilateral national measures simply cannot deliver the desired effect. Therefore, all focus should be put towards establishing a cohesive, concrete and common European tax strategy, embraced and implemented by all Member States.

Headline target: Halving of tax gap by 2020

The Commission's Action Plan for a more effective EU response to tax evasion and avoidance as well as Recommendations aimed at encouraging Member States to take immediate and coordinated action against tax havens and aggressive tax planning are steps in the right direction. In order to get Member States to commit to an ambitious and realistic target of halving the tax gap by 2020, which would allow them to gradually generate new tax revenue without raising tax rates, at the level of several hundred billion Euros a year, the Commission however needs to take further steps and develop a comprehensive strategy to close the EU tax gap, based on concrete legislative actions.

Namely, a strong commitment to reduce the tax gap would contribute to the necessary stabilisation of financial markets by significantly reducing the liquidity available for financial trading that is unrelated to real economic activity. It would also increase available public revenue for fiscal consolidation measures while easing the austerity effects. Provision of the necessary resources to increase public investment geared towards the strengthening of the EU's international competitiveness and growth potential would be guaranteed. Furthermore, efficiency and fairness of national tax systems in the EU would be improved together with enhanced general tax compliance.

Member States have to follow up on their commitment to "recognise the importance of taking effective steps to fight tax evasion and fraud, also in times of budgetary constraints and of economic crisis" as stated in the conclusions of the Economic and Monetary Affairs Council of 13 November 2012. A first step should be to engage in serious negotiations and bring to a closure all open legislative proposals regarding issues of tax fraud, tax avoidance and tax havens. Adoption of Commission's Recommendations and Action plan is necessary.

Proposals to achieve the headline target

An important way forward is to enhance the use of the European semester by integrating the EU tax gap strategy into the annual national stability and growth programmes and the national reform programmes.

When it comes to measures tackling **tax fraud or tax evasion** (an illegal activity where tax liabilities are evaded) Member States should allocate adequate resources to their national tax administrations and tax audit staff. Your Rapporteur also proposes that Member States revoke banking license to financial institutions if they actively assist in tax fraud by offering products and/or services to the customers enabling them to evade taxes or if they refuse to cooperate with fiscal authorities. Furthermore, your Rapporteur advocates for a compulsory CCCTB as well as development of new strategies for combating VAT fraud and stricter tackling of tax fraud by means of prosecution under criminal law, where the Commission should enhance its cooperation with other EU law enforcement bodies, in particular with authorities responsible for anti-money laundering, justice and social security. An explicit mention of tax crimes as predicate offences to money laundering should be included in the upcoming review of the Third Anti-Money Laundering Directive.

Tax avoidance represents the other side of the problem and is legal but improper utilization of the tax regime to one's own advantage to reduce or avoid tax liabilities and thus requires a different set of actions. It is closely linked with the concept of **aggressive tax planning**,

where large corporations undertake extensive tax planning, artificially shifting profits to minimise their effective tax rate and reduce their tax liabilities. Your Rapporteur would like to see the scope of the Savings Taxation Directive upgraded in order to effectively end banking secrecy and considers it high time that Luxembourg and Austria abandon their opposition to an effective agreement with Switzerland. Additionally, country-by-country reporting requirements for cross-border companies are essential for detecting corporate tax avoidance and your Rapporteur believes that the Commission should introduce country-by-country reporting for cross-border companies in all sectors, requiring disclosure of information on the trading of a group as a whole in order to monitor if proper transfer pricing rules are respected. Further action is also needed to improve identification of taxpayers, taxing of electronic commerce, efficiency of tax revenue-collecting mechanisms, increased transparency of company registries and registers of trust as well as improvements in the effectiveness of the Code of Conduct for business taxation and a new Code of conduct for auditors and advisers.

On the issue of **tax havens**, your Rapporteur calls for a common European approach, by all Member States, towards tax havens. Member States whose tax base has been negatively affected because of non-transparent or harmful tax measures of tax havens usually consider a variety of steps intended to prevent such negative incidences. A response from taxpayers in such cases then often includes routing of businesses or transactions through another State with a lower level of protection. Therefore in the EU the overall protection of Member State's tax revenues is only as effective as the weakest response of any one Member States. A way forward would therefore be in a common European approach. To ensure an efficiency of such approach, your Rapporteur calls on the Commission to include in its EU tax gap strategy a clear definition of tax havens, a common set of criteria to identify tax havens, as well as appropriate measures that should apply to identified jurisdictions. Going a step further, your Rapporteur proposes that a definition of tax havens be based on criteria of Global Forum and the Code of Conduct Group. Creation of European blacklist should, in your Rapporteur's view, end in suspension or termination of existing Double Tax Conventions that Member States have established with jurisdictions identified as tax havens and listed on the European blacklist. Finally, your Rapporteur would also like to see the Commission developing a system of incentives for jurisdictions, which initiate bilateral negotiations with the EU after being blacklisted and would ask Member States to remove third countries from a European blacklist if they cease being tax havens. It is important that effort is put towards preventive actions as well, where closer cooperation and assistance to developing third countries, which are not tax havens, would help them to effectively fight against tax fraud, tax avoidance and aggressive tax planning.

23.4.2013

OPINION OF THE COMMITTEE ON BUDGETARY CONTROL

for the Committee on Economic and Monetary Affairs

on Fight against Tax Fraud, Tax Evasion and Tax Havens
(2013/2060(INI))

Rapporteur: Bart Staes

SUGGESTIONS

The Committee on Budgetary Control calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

Overall considerations

1. Points out that approximately EUR 1 trillion is lost to tax evasion and avoidance every year in the EU, according to estimates drawn up by the Commission; underlines that in overall terms the total cost of tax evasion in the EU is higher than the total of all health care budgets in the Union, and that if tax evasion could be stopped, all EU deficits could be paid off in just 8.8 years¹;
2. Stresses that a transparent, uncomplicated taxation system makes it possible to dismantle bureaucratic and administrative obstacles and thus reduce the cost of tax collection;
3. Notes that the dismantling of tax privileges creates scope for comprehensive reforms leading to an uncomplicated, understandable and fair taxation system;
4. Notes that the definition of tax havens is no longer up-to-date and that (semi-)legal ways of avoiding or reducing tax liabilities are becoming more and more common in the Member States: for instance, transfers by 'post-box companies' in and through the Netherlands are estimated to amount to EUR 8000 billion a year alone;
5. Stresses that massive tax evasion and tax avoidance by larger companies has a devastating

¹ Richard Murphy FCA, Tax Research UK: Closing the European Tax Gap – A report for Group of the Progressive Alliance of Socialists & Democrats in the European Parliament', http://www.socialistsanddemocrats.eu/gpes/media3/documents/3842_EN_richard_murphy_eu_tax_gap_en_120229.pdf

effect on the taxpaying discipline of smaller companies and even individuals, since it makes tax evasion and tax avoidance appear to be the accepted norm, and it is, inter alia, due to this tax evasion that an additional tax burden on individuals and companies is introduced; stresses that tax avoidance and tax evasion are facilitated by complex, non-transparent taxation systems and that opaque tax legislation offers firms and individuals, by a flexible interpretation of tax laws, opportunities to reduce their own tax burden at the expense of others;

6. Stresses that companies that use tax evasion as a business strategy (many of them smaller and more flexible) acquire an unfair competitive advantage over extrovert companies that cannot use similar practices, and thus eventually undermine the Member States' competitiveness;
7. Agrees with the findings presented in the OECD report 'Addressing Base Erosion and Profit Shifting'¹ on the need to re-interpret the concept of permanent establishment as the primary basis for taxation; considers that, as a general principle, taxation should take place where the economic activities generating income took place ('origin of wealth' principle);
8. Points out that legal proceedings against tax fraud are cumbersome and lengthy, and that those found guilty receive in the end relatively mild sentences, making tax fraud something of a risk-free crime;
9. Insists, in this respect, on the need to reinforce the European Union's legal framework for the seizure and confiscation of assets, including in non-conviction based cases, through the seizure of property established to be the proceeds of or means to commit a crime under civil criteria, in accordance with the principle 'follow the money';
10. Supports the call by the OECD and the G20 for a global and comprehensive action plan based on an in-depth analysis of the identified practices of base erosion and profit shifting, with a view to provide concrete solutions to realign international standards with the current global business environment;
11. Underlines that independent investigative journalism should be encouraged as it plays a vital role in exposing fraud schemes, corruption and organised crime;
12. Is deeply concerned by the magnitude of offshore financial activities, as disclosed in April through 'Offshore leaks'; underlines that EUR 16-25 trillion are estimated to be hidden in tax havens and thus diverted from the normal financial circuits; given the impact of those practices on the Union's financial interests, calls on the Council to take urgent measures to eliminate the possibilities for capital diversion from the Member States to tax havens, such as a compulsory prior authorisation request for any banking institution transferring and/or receiving financial assets to/from tax havens;
13. Emphasises the potential of e-government in terms of increasing transparency and combating fraud and corruption, thereby helping to protect public funds; stresses the need for legislation that enables continuous innovation; emphasises that the EU is lagging

¹ OECD (2013) Addressing Base Erosion and Profit Shifting, OECD Publishing, <http://dx.doi.org/10.1787/9789264192744-en>

behind its industrial partners, inter alia due to a lack of interoperability of systems¹; stresses that the EU must step up its efforts to introduce next-generation forms of e-government that can provide more transparency in public finances and encourage the real-time connection of business transactions with the tax authorities in order to combat tax evasion;

14. Calls on the Commission to address specifically the problem of hybrid mismatches between different tax systems in the Member States;
15. Urges the Member States to refrain from concluding bilateral tax agreements with third countries, and encourages the Commission to continue its efforts to conclude tax agreements between the EU as a whole and third countries; also requests the Commission to examine whether existing bilateral tax agreements between Member States and third countries promote tax avoidance by companies from other Member States and to submit proposals, including the revision of any such agreements, to address this issue;
16. Suggests, in the meantime, that, before a bilateral tax agreement is signed or finally concluded, the text should be submitted to the Commission, which will formulate a public and motivated opinion within one month;
17. Reiterates the importance of country-by-country reporting by companies engaged in cross-border activities, and emphasises that this also holds for financial institutions;
18. Encourages the Commission and the Council to discuss how the approximation of legislation concerning the corporate tax base can be further developed, inter alia with a view to addressing tax avoidance, and to inform Parliament regularly about these discussions and the conclusions drawn from them;
19. Calls on the Commission to submit proposals barring companies from European tenders and subsidies if they have been found guilty of tax evasion;

Value added tax

20. Notes, however, that as VAT is an ‘own resource’, tax evasion in that area does have a direct influence on both the economies of the Member States and the EU budget; recalls that, in the words of the Court of Auditors, ‘VAT evasion affects the financial interests of Member States. It has an impact on the EU budget as it leads to lower VAT-based Own Resources. This loss is compensated by the GNI-based own resource, distorting individual Member States’ contributions to the EU budget. Moreover, tax fraud undermines the functioning of the internal market and prevents fair competition’²;
21. Notes that the EU’s VAT system provides a significant part of public revenues – 21 % in 2009³ – but is also the cause of a high level of both unnecessary compliance costs and tax

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A Digital Agenda for Europe (COM(2010)245).

² Special Report of the Court of Auditors No 13/2011, p. 11, paragraph 5.

³ European Parliament, Directorate-General for Internal Policies, Policy Department A (Economic and Scientific Policy): ‘Simplifying and Modernising VAT in the Digital Single Market’ (IP/A/IMCO/ST/2012_03), September 2012,

avoidance;

22. Points out that ever since VAT was introduced, the model for collecting it has remained unchanged; stresses that as this model is outdated, given the many changes that have taken place in the technological and economic environment, its continued use leads to substantial losses;
23. Stresses that shortcomings in the cross-border cooperation between Member States' tax administrations weakens the correct implementation of the EU's VAT regulatory framework, facilitates fraud and organised crime activities, and leads to significant losses such as those observed due to the heterogeneous application of customs procedure 42; regrets the lack of consistency in the processing of VAT ID numbers at customs level; is of the opinion that a European Tax Identification Number would bring greater transparency and uniformity in the management of customs procedure 42; urges the Commission, therefore, to launch its impact assessment on this matter as soon as possible;
24. Deplores the fact that two important initiatives aimed at combating VAT fraud, namely the proposal for a Council Directive amending Directive 2006/112/EC on the common system of value added tax as regards a quick reaction mechanism against VAT fraud (COM(2012)0428) and the proposal for a Council Directive amending Directive 2006/112/EC as regards an optional and temporary application of the reverse charge mechanism in relation to supplies of certain goods and services susceptible to fraud (COM(2009)0511), are still blocked in Council;
25. Urges the Commission to submit a proposal to enable negotiations to be opened on bilateral agreements between the EU and non-EU countries aimed at establishing an effective mandatory administrative cooperation system in the field of VAT;

Customs

26. Stresses that the correct operation of the customs system has direct consequences in terms of the calculation of VAT; is deeply worried that customs checks in the EU are not functioning properly, resulting in significant VAT losses¹; finds it unacceptable that, in most Member States, the tax authorities have no direct access to customs data and that automated cross-checking with tax data is therefore not possible; points out that organised crime is well aware of the weaknesses of the actual system;
27. Deplores the fact that the Commission and the Member States have been unable to ensure timely implementation of the Modernised Customs Code; stresses that the economic benefits estimated to be foregone due to the delay in the implementation of the new customs code amount to some EUR 2.5 billion in annual operational savings of compliance costs at full regime, and to as much as EUR 50 billion in the expanded

<http://www.europarl.europa.eu/committees/en/studiesdownload.html?languageDocument=EN&file=75179>

¹ According to the Court of Auditors' Special Report No 13/2011, in 2009 the application of customs procedure 42 alone accounted for extrapolated losses of approximately EUR 2 200 million with regard to the seven Member States audited, representing 29 % of the VAT theoretically applicable on the taxable amount of all the imports effected under customs procedure 42 in those seven Member States in 2009;

international trade market¹;

28. Points out that – in light of the OLAF 2011 report and its overview of progress on judicial actions in actions created between 2006-2011, according to which more than half of the actions are pending judicial decision – special attention should be given to cases related to fraud in customs, which is among the areas with the highest rates of systemic corruption in Europe²;
29. Regrets that of the vast amounts paid to the Union on the basis of the agreements by the major tobacco companies, only 9.7 % is used for anti-fraud measures and programmes while the remaining 90.3 % is added as income to the Member States' respective budgets, without being clearly assigned to programmes and activities related to the fight against fraud.

¹ European Parliament, Directorate-General for Internal Policies, Policy Department A (Economic and Scientific Policy): 'Roadmap to Digital Single Market' (IP/A/IMCO/NT/2012-13), August 2012, <http://www.europarl.europa.eu/document/activities/cont/201209/20120914ATT51402/20120914ATT51402EN.pdf>

² 'Thematic Paper on Areas of systemic corruption in the public administration of the Member States and measures in order to counter its negative effect for the EU, Committee on Organised Crime, Corruption and Money Laundering', November 2012.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	23.4.2013
Result of final vote	+: 17 -: 1 0: 0
Members present for the final vote	Zigmantas Bal ūytis, Zuzana Brzobohatá, Andrea Šešková, Tamás Deutsch, Jens Geier, Gerben-Jan Gerbrandy, Ingeborg Gräßle, Monica Luisa Macovei, Jan Mulder, Eva Ortiz Vilella, Monika Panayotova, Crescenzo Rivellini, Theodoros Skylakakis, Bart Staes, Michael Theurer
Substitute(s) present for the final vote	Cornelis de Jong, Karin Kadenbach, Ivailo Kalfin, Derek Vaughan

24.4.2013

OPINION OF THE COMMITTEE ON DEVELOPMENT

for the Committee on Economic and Monetary Affairs

on the fight against tax fraud, tax evasion and tax havens
(2013/2060(INI))

Rapporteur (*): Eva Joly

(*): Associated committee – Rule 50 of the Rules of Procedure

SUGGESTIONS

The Committee on Development calls on the Committee on Economic and Monetary Affairs, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Stresses the need to mobilise and secure tax resources in developing countries in order to achieve the MDGs, as they are more predictable and sustainable than foreign assistance and help to reduce debt; notes, however, that tax resources-to-GDP ratios are low in most developing countries, which are confronted with social, political and administrative difficulties in establishing a sound public finance system, thereby making them particularly vulnerable to tax evasion and avoidance activities by individual taxpayers and corporations;
2. Points out that illicit outflows are a major explanation for developing country debt, while aggressive tax planning is contrary to the principles of Corporate Social Responsibility;
3. Notes that tax systems in many developing countries are not in line with international standards (weak fiscal jurisdiction and inefficiencies in tax administration, high level of corruption, insufficient capacity to introduce and sustain well-functioning tax registers, etc.); calls on the EU to upgrade its assistance within the remit of the DCI and EDF in terms of tax governance and in addressing international tax fraud and excessive optimisation, by building up the capacity of developing countries to detect and prosecute inappropriate practices through stronger tax governance cooperation; considers also that

support should be provided for the economic reconversion of developing countries that are tax havens;

4. Welcomes the first steps taken with the Global Forum (GF) peer reviews on tax evasion; believes, however, that, by focusing on the OECD's 'upon request' information exchange system, GF standards will be ineffective in curtailing illicit financial flows;
5. Welcomes the Commission's commitment to promoting the automatic exchange of information as the future European and international standard for transparency and exchange of information in tax matters; calls once more for action beyond the OECD framework to address illicit financial flows, tax evasion and avoidance in view of their various shortcomings; deplores the fact that the OECD allows governments to escape its blacklist merely by promising to adhere to the information exchange principles, without ensuring that these principles are effectively put into practice; considers also that the requirement to conclude agreements with 12 other countries in order to be removed from the blacklist is arbitrary, as it does not refer to any qualitative indicators for an objective assessment of compliance with good governance practices;
6. Deplores also the laxity of the Global Forum's standards regarding the quality of information to be held (e.g. lack of a requirement concerning disclosure of beneficial ownership; lack of legal means to counter refusals or delays in the provision of information upon request; reliance on private agents, rather than public registries, for information, etc.); believes that the Global Forum peer review process would be far more effective if outside experts were involved in all of its stages;
7. Calls once more for an internationally binding multilateral automatic tax-information exchange agreement, which should also cover trusts and foundations, and include sanctions for non-cooperative jurisdictions and for financial institutions that operate with tax havens; urges the EU to adopt measures similar to the US Stop Tax Haven Abuse Act and to consider the possibility of withdrawing banking licences from financial institutions that operate with tax havens; calls on the Commission to propose a European black list of tax havens based on stringent criteria and to propose European sanction regimes in the event of non-compliance or enhanced cooperation if an EU approach is not possible;
8. Recalls that reinforcing transparency in tax matters includes the identification of owners and beneficiaries of companies, trust funds and foundations;
9. Notes that tax evasion and money laundering are facilitated by Trust and Company Service Providers (TCSP), as they enable the establishment of structures that render the beneficial owners unaccountable for their actions and obligations, including to tax authorities, to creditors and to the victims of human rights violations; takes the view that TCSPs should be required to carry out due diligence in accurately establishing beneficial ownership information under anti-money laundering rules; considers also that companies should only be allowed to incorporate in a jurisdiction if they have meaningful economic substance within that jurisdiction (for example, staff and sales);
10. Observes that trusts are often used as conduits for tax evasion; notes with concern, however, that the majority of countries do not require registration of legal arrangements; calls on the EU to introduce a European register for trusts and other secrecy entities, as a

prerequisite for dealing with tax avoidance;

11. Points out that according to the United Nations Office on Drugs and Crime (UNODC) the estimated amount of money laundered globally each year is 2 - 5 % of global GDP, or between USD 800 billion and 2 trillion;
12. Stresses that the fight against corruption is an integral part of capacity-building for tax administrations; calls for the full implementation of the Merida Convention against Corruption (2003);
13. Fully supports the Commission's proposal to explicitly mention tax crimes as predicate offences to money laundering, in line with the 2012 recommendation issued by the Financial Action Task Force (FATF); urges the EU to enhance the transparency of beneficial ownership information and anti-money laundering (AML) customer diligence procedures; insists on an EU-wide harmonisation of the money-laundering offence, and calls for the full implementation of FATF standards, through effective monitoring and credible sanctions;
14. Stresses that trade mispricing is one of the most prominent drivers of illicit financial outflows, but notes the limitations, complexities and difficulties in implementing the arm's length principle to address this issue, especially for developing countries; calls on the Commission to work on concrete proposals to ensure that the G20, the OECD, the UN and the WTO consider a broader set of indicators and methods for tackling trade mispricing, among which are the US 'comparable profit methods' that have shown promise in determining the incorrect pricing of transactions;
15. Points out that by reinforcing a bilateral rather than a multilateral approach to transnational tax issues, double taxation agreements (DTA) risk encouraging transfer pricing and regulatory arbitrage; calls on the Commission, therefore, to refrain from promoting such agreements, instead of tax information exchange agreements (TIEAs), since the former usually result in a fiscal loss for developing countries through lower withholding tax rates on dividend, interest and royalty payments;
16. Notes with concern that many developing countries find themselves in a very weak bargaining position towards some foreign direct investors 'shopping around' for tax subsidies and exemptions; considers with respect to sizeable investments that companies should be required to make precise commitments on the positive spill-over effects of the project in terms of local and/or national economic and social development;
17. Stresses that insufficient transparency in financial reporting of multinational enterprises (MNEs) is a key factor which facilitates international tax evasion and avoidance; insists that the EU strives towards the revision of the current accounting standards at the International Accounting Standards Board (IASB) and the introduction of regular country-by-country reporting as an international financial reporting standard for MNEs;
18. Recalls that the possibility to detect and prosecute tax violators is crucially dependent on data availability and data quality; stresses that a strategy to counter tax evasion and avoidance should involve measures at both national and international level, as in the case of exposing a firm's mispricing practices, which requires a well functioning cross-border

exchange of information between domestic tax administrations, auditors and foreign public authorities;

19. Calls on the EU to upgrade technical assistance in developing countries so as to address transfer pricing manipulation, and to scale up its cooperation on tax matters by encouraging the African Tax Administration Forum (ATAF) to enhance tax mobilisation and democratic governance in Africa;
20. Emphasises that, in a context where export revenues vary according to raw material price fluctuations, it is important to give developing countries policy space to increase their capacity to resist external shocks and to implement countercyclical action plans to boost the economy, by allowing them to use tools such as export taxation.

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	23.4.2013
Result of final vote	+: 24 -: 0 0: 0
Members present for the final vote	Michael Cashman, Ricardo Cortés Lastra, Nirj Deva, Leonidas Donskis, Charles Goerens, Eva Joly, Filip Kaczmarek, Gay Mitchell, Norbert Neuser, Bill Newton Dunn, Andreas Pitsillides, Jean Roatta, Michèle Striffler, Alf Svensson, Keith Taylor, Patrice Tirolien, Ivo Vajgl, Anna Záborská, Iva Zanicchi
Substitute(s) present for the final vote	Enrique Guerrero Salom, Cristian Dan Preda, Judith Sargentini, Jan Zahradil
Substitute(s) under Rule 187(2) present for the final vote	Victor Bo tinaru

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	24.4.2013
Result of final vote	+: 29 -: 1 0: 2
Members present for the final vote	Jean-Paul Basset, Sharon Bowles, Udo Bullmann, Nikolaos Chountis, George Sabin Cuta , Leonardo Domenici, Diogo Feio, Elisa Ferreira, Ildikó Gáll-Pelcz, Jean-Paul Gauzès, Sven Giegold, Liem Hoang Ngoc, Gunnar Hökmark, Rodi Kratsa-Tsagaropoulou, Philippe Lamberts, Astrid Lulling, Hans-Peter Martin, Sławomir Nitrás, Ivari Padar, Anni Podimata, Antolín Sánchez Presedo, Theodor Dumitru Stolojan, Kay Swinburne, Sampo Terho, Marianne Thyssen
Substitute(s) present for the final vote	Fabrizio Bertot, Herbert Dorfmann, Sari Essayah, Krišj nis Kari š, Olle Ludvigsson, Sirpa Pietikäinen, Nils Torvalds
Substitute(s) under Rule 187(2) present for the final vote	María Auxiliadora Correa Zamora, Iratxe García Pérez, Hubert Pirker