



[Check Against Delivery]

“Making Tax Work For All”: Speech by Commissioner Paolo Gentiloni at the European Policy Centre on the Commission's priorities for EU taxation policy

Brussels, 5 March 2020

Good morning. Let me begin by thanking the European Policy Centre for this timely opportunity to set out the Commission's priorities for EU taxation policy.

We are living in truly transformational times.

The outbreak of the coronavirus has showed that the global order is both fragile and challenged.

Our planet is faced with the existential challenge of climate change.

Our economies and societies are experiencing a digital revolution.

And our external partnerships are being reshaped by, arguably, the most radical geopolitical shifts we have seen in decades.

Europe's needs to show leadership in this transition towards a more sustainable, prosperous and fairer future. President von der Leyen has already set out a very ambitious agenda in this respect.

Delivering on that agenda will require an unprecedented level of collective action, in all policy fields – and taxation is no exception. Given its role in feeding budgets, distributing resources and steering behaviours, taxation has a pivotal role in addressing Europe's challenges and setting us on the right path for the future.

The days are long gone when tax policy could be treated as a side-issue in the EU, disconnected from our wider political agenda. Now we must ensure that taxation is fully coherent with other policy areas and maximise its potential in delivering on Europe's key goals.

Let me start with Climate Change – an issue that has been close to my heart ever since my early days as an environmental activist in the eighties.

The European Green Deal is not only a response to the predicament facing our planet. It is also an ambitious new growth strategy for the twenties and beyond.

It touches every aspect of society and nearly every EU policy area: including energy, economic governance and state aid.

And that includes taxation, which is a powerful tool for steering the behaviour of both producers and consumers. So we must use it to help reduce carbon emissions and to promote more sustainable choices.

Environmental taxes have a dual benefit. They are amongst the most growth-friendly types of tax and they can encourage more sustainable and responsible behaviour. Furthermore, the revenues from these taxes can help to offset the costs of the environmental transition, in a socially just manner.

However, Europe's framework for taxation is far from “green” at the moment. In fact, some of the most polluting fuels are the most lightly taxed. That's why one of my top priorities is to revise the Energy Tax Directive adopted 17 years ago and bring it into line with our climate ambitions. We must remove the implicit subsidies for fossil fuels, along with the tax exemptions for aviation and maritime industries – which are entirely out of sync with our green agenda.

The revised Energy Tax Directive must create a carbon price signal throughout the whole economy and serve as a complementary partner to the EU Emissions Trading System.

In parallel, we must ensure that our efforts are not undermined by less ambitious international partners. Europe is proud to lead the way in the green revolution and hopeful that our example could be followed by other international players. But our businesses and workers should not pay the price if other countries lag behind.

So this Commission will work to develop a carbon border adjustment mechanism, to address the risk of carbon leakage. We will put a carbon price on imports, to deter polluting processes from shifting elsewhere and to prevent polluting products from flooding our market.

It is too soon to define precisely the shape of this mechanism. We need to assess all the options very carefully, including from a WTO perspective. However, let me assure you that this work is already underway.

Just yesterday we launched impact assessments on both the revision of the energy taxation directive and the carbon border adjustment mechanism. We will come forward with our proposals next year.

In order to carry out this ambitious agenda the EU must be able to act decisively. That is why, in particular in the context of the green deal proposals, I stand ready to use the provisions in the EU treaties that allow legislation to be adopted in the field of taxation by qualified majority rather than by unanimity.

Ladies and Gentlemen,

The second major theme that I wish to discuss today is digitalisation.

The challenge we face in Europe – and indeed worldwide – is to embrace the many benefits of digitalisation, while firmly confronting the emerging risks.

Europe has already started to reclaim its digital sovereignty in other policy areas – from privacy standards and data protection, to competition rulings. Now we must do the same in taxation.

This means ensuring that digital giants, which benefit enormously from our Single Market, pay their fair share of tax here. It means creating a fair and simple tax environment, in which our home-grown digital champions can grow and thrive. And it means grasping the opportunities that technology and big data offer, so that tax rules are easier to comply with and easier to enforce.

This will require more than just a few tweaks to the current rules. It calls for a major review of how we tax, what we tax and where we tax. We need to overhaul company taxation, so that it is fit for this digital age.

The EU is now actively supporting the G20/OECD work on international corporate tax reform. As I stressed at the G20 finance ministers' meeting in Riyadh ten days ago, we are firmly in favour of a global approach in this area. This is undoubtedly the best way forward, given the globalised, digitalised nature of our economies and businesses today.

If successful, there will be a new framework for company taxation worldwide, avoiding uncertainty and risks of double taxation. The rules should reflect not the physical presence of a company but where value is really created in the digital age – namely, in interactions with users and their data – and allocate the taxable profits accordingly.

Let me be very clear. If global consensus cannot be reached, the EU will be forced to act alone. Our systems are too outdated and the pressures are too great to ignore any longer. If needed, I will be ready to propose an EU vision for business taxation in the 21st century very rapidly. We do not start from scratch –> we already have some useful tools to start building with – including the proposals to create a Common Consolidated Corporate Tax base.

Ladies and Gentlemen,

Let me turn now to conclude to the interaction of taxation and social justice. The principle of fair taxation – whereby everyone must pay their fair share – will underpin every action and initiative we take in EU tax policy.

Tax fraud, evasion and avoidance are a threat to the very basis of our social model. They eat away at the public revenues needed to invest in our people and infrastructure. They disrupt the level playing field for our businesses and erode public confidence in our tax systems. And they hinder the development of smarter, greener, more competitive economies, as Member States are pulled into a race to the bottom to attract highly mobile companies. So the work to combat these abuses must continue with full force under this Commission. And let me assure you, it will.

A huge amount was done over the past five years to tighten our defences against tax abuse. As a result, the EU now has a solid tax transparency framework and rules to block some of the most prominent forms of aggressive tax planning. Proposals are on the Council's table to modernise VAT and put an end to cross border VAT fraud that costs our Member States 50 billion euros per year.

I intend to build on this work and take it further, particularly in light of the new types of business models we are dealing with. Our transparency rules, for example, must cover the rapidly growing platform economy, if they are to remain relevant in the years ahead. I will be making a proposal to that effect this summer.

I will also intensify the significant work already done to fight tax fraud. With new legal provisions and IT tools, today's tax administrations are much better equipped to fight this war. We must now draw on the fruits of the technological revolution to stop the criminal organizations behind large-scale fraud

schemes.

Ladies and gentlemen,

We also need to re-define what is acceptable when it comes to tax competition, given the new reality we are living in. I am pleased that measures to curb the race to the bottom are already being discussed, in the context of the OECD's work on international tax reform. I hope that the final outcome will be a meaningful one.

I am firmly in favour of the idea of minimum effective taxation. It would put a floor on how low countries can go in encouraging profit shifting. And, it would ensure that all companies, wherever they are and whatever their size, pay a fair share of tax.

I plan to reassess the tools we have at EU-level to regulate tax competition – starting with the Code of Conduct on Business Taxation. The principles for fair competition were set out in that Code over 20 years ago, when the world was very different. It is high time for an update.

When it comes to tackling unfair tax competition beyond our borders, the EU list of non-cooperative jurisdictions has been very effective – eliminating over 100 harmful regimes worldwide so far. The list will continue to be our primary instrument to hold our international partners to account when they don't play fair, and the Commission will continue to invest heavily in this exercise.

At the same time, we must increase our efforts to help those that want to abide by the rules, but struggle to do so. In Europe's social market economy, we must make it as easy as possible for those that wish to benefit from the Single Market.

This means adapting our tax systems, to be more in-tune with the needs of modern workers and enterprises. It means simplifying our rules and using new technologies, to make life easier for taxpayers. And it means intensifying our work to remove tax obstacles in our Single Market, to facilitate businesses that work cross-border.

Double taxation, for example, is still too prevalent, costing businesses millions of euros every year. Therefore, I will present proposals to reduce double taxation, to prevent and resolve administrative disputes, and to enhance cooperation between authorities and taxpayers across Europe.

I will also propose simplifications to our VAT compliance rules next year, which should benefit business and entrepreneurs in our Single Market.

On 20 April, I will host a high-level conference on "Making Tax Work – Fighting tax evasion and ensuring Compliance". I want to hear from those who know best on these issues: citizens, businesses, academics, policy-makers and politicians. We will collect the most interesting ideas. We will be looking for innovative approaches! On that basis, the Commission will finalise an Action Plan for June, setting out our roadmap of initiatives to make taxation easier for our taxpayers and to make life harder for tax cheats.

We must also continue to promote higher standards of tax good governance worldwide. This is particularly important for developing countries, which are hit hardest by the scourges of tax evasion and avoidance. In the context of the Sustainable Development Goals, the EU will intensify its support to lower income countries, to help them to comply with international tax standards and secure their domestic tax bases. A Communication on tax good governance, which I intend to present in June will elaborate further on this agenda.

Ladies and Gentlemen,

Those were just some elements of the ambitious agenda that this Commission has planned for EU tax policy over the coming five years:

- to ensure that taxation plays a full role within the European Green Deal, so that Europe is firmly on course to carbon neutrality by 2050;
- to help reclaim Europe's digital sovereignty, by redesigning our tax system, so that it is fit and fair for the digital age;
- and to support the European social market economy, by making life easier for those who play by the rules and harder for those who don't.

I am confident that with such an agenda, taxation can make a powerful contribution to Europe's success in rising to these challenges and emerging stronger, fairer and greener for the future.

SPEECH/20/398

Press contacts:

[Daniel FERRIE](#) (+32 2 298 65 00)

[Nerea ARTAMENDI-ERRO](#) (+32 2 299 09 64)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](#) or by [email](#)