**Tax Justice Europe - Policy Recommendations**

(March 2021)

There are several recommendations that European governments and the EU institutions can – and must – take forward to help bring an end to the scandal of tax dodging and ensure tax justice.

**Tax policies**

Governments and EU institutions must:

* Promote **progressive tax systems** to counter rising **inequality**;
* Ensure that tax policies promote **gender equality** and are fully in line with **policy coherence for development**;
* Stop the **race to the bottom on corporate taxation**. The includes the trend towards lowering corporate tax rates and using harmful tax practices that facilitate corporate tax avoidance.

For this purpose, they should:

1. Carry out and publish **spill-over analyses** of all national, EU-level and global tax policies, including policies relating to special purpose entities, tax treaties and incentives for multinational corporations, in order to assess the impacts on developing countries, and remove or reform policies and practices that have negative impacts on developing countries.

2. Support that the current international transfer pricing system, including the arm’s length principle, be replaced by a system that **taxes multinational corporations on the basis of their global consolidated profits**, with taxing rights being allocated between governments based on an agreed and balanced formula.

3. Support an international **minimum effective corporate tax rate** that is high enough to stop the global race to the bottom. For example, the highly respected Independent Commission for the Reform of International Corporate Taxation has suggested that such a rate be set at 25 per cent.[[1]](#footnote-1)

4. Support a proposal on a **Common Consolidated Corporate Tax Base** (CCCTB) at the EU level that includes the consolidation and apportionment of profits, and avoid introducing new mechanisms that can be abused by multinational corporations to dodge taxes, including large-scale tax deductions.

5. Stop the spread of, and remove existing, **patent boxes** and similar harmful structures.

6. Ensure that **tax advisors** are legally liable for promoting and advising on practices that violate the law, and require tax advisors to publish a detailed outline of all types of cross-border tax schemes, on which they are advising multinational corporations.

7. If negotiating or renegotiating **tax treaties** with developing countries, governments should:

• Conduct and publish a comprehensive impact assessment to analyse the impact on the developing country and ensure that negative impacts are avoided;

• Fully respect source country rights to tax the profits generated by business activities in their countries, and stop reducing withholding tax rates;

• Ensure full transparency around every step of treaty negotiations as well as effective participation by civil society and parliamentarians.

New point. At the national level, governments must ensure that their national tax systems are progressive and counter inequalities, including gender inequalities. Especially in the context of the socio-economic crisis induced by the COVID-19 pandemic, governments should consider introducing or strengthening wealth taxes and excess profit taxes. These measures can be introduced on a temporary basis to combat the crisis. However, based on the experiences with temporary measures, governments should consider introducing such measures on a permanent basis.

**Transparency**

Governments and EU Institutions must allow the public to access the key corporate information necessary to ensure **accountability** and **tax justice**. They must also ensure full and effective exchange of information between all the governments so that citizens are not able to use international structures to **circumvent national tax laws**. For this purpose, they should:

8. Work towards a Global Standard on **Automatic Information Exchange**, which includes a transition period for developing countries that cannot currently meet reciprocal exchange requirements due to lack of administrative capacity. This transition period should allow developing countries to receive information automatically, even though they might not have the capacity to share information from their own countries. Furthermore, under the current standards, developed country governments must commit to exchange information automatically with all developing countries that fulfil basic data protection requirements, by establishing the necessary bilateral exchange relationships.

9. Establish fully publicly accessible registries of the **beneficial owners** of companies, trusts and similar legal structures. When implementing the 5th Anti-Money Laundering Directive, EU governments should expand the public registers for beneficial owners of companies to also cover all trusts and similar legal structure with a connection point to their country.

10. Adopt full **public country by country reporting** for all large multinational corporations, and ensure that this information is available in an open data format that is machine readable and centralised in a public registry. This mandatory reporting should be at least as comprehensive as suggested in the Global Reporting Initiative reporting template[[2]](#footnote-2), but cover all corporations that meet the EU definition of ‘large undertaking’.[[3]](#footnote-3)

11. Publish data showing the flow of investments through **special purpose entities** in their countries.

12. Publish the basic elements of all **advance tax agreements** granted to multinational corporations (including, at a minimum, the name of the corporation to which it is issued, duration of the agreement and the topics covered). Move towards a system for taxing multinational corporations that is transparent, clear and less complex.

13. Publish annual assessments of the cost and benefits of all **tax incentives** provided to multinational corporations.

14. Implement effective legislation for **whistleblower protection**. Such legislation must protect those who act in the public interest, including those who disclose legal tax avoidance or tax evasion. The protection must include both private and public sector employees.

**International decision-making**

Governments and EU institutions must support that all international decision-making on tax matters is **fair and transparent.** This is includes ensuring that all countries are able to participate on a truly equal footing in the development of global tax rules and standards. Furthermore, intergovernmental decision-making processes must allow full access for observers. For this purpose, they should:

15. Support the establishment of an **intergovernmental tax commission under the auspices of the United Nations**, with the aim of ensuring that developing countries can participate equally in the global reform of international tax rules. This forum should become the main forum for international cooperation in tax matters and related transparency issues. The tax commission should be adequately funded and allow full access for observers, including civil society and parliamentarians. One of the key priorities of the commission should be to negotiate and adopt an international convention on tax cooperation and related transparency.

16. Replace or fundamentally reform the **EU Code of Conduct Group on Business Taxation** to ensure that EU decision-making on international tax matters becomes fully transparent to the public, and that decision-makers become accountable to their citizens.

1. ICRICT (2019), *International Corporate Tax Reform: Towards a fair and comprehensive solution*, <https://static1.squarespace.com/static/5a0c602bf43b5594845abb81/t/5d979e6dc5f7cb7b66842c49/1570217588721/ICRICT-INTERNATIONAL+CORPORATE+TAX+REFORM.pdf> [↑](#footnote-ref-1)
2. The Global Reporting Initiative Tax Standard 207 includes a public country by country reporting template titled 207-4. This template calls for disclosure of the following for each tax jurisdiction: i. Names of the resident entities; ii. Primary activities of the organization; iii. Number of employees, and the basis of calculation of this number; iv. Revenues from third-party sales; v. Revenues from intra-group transactions with other tax jurisdictions; vi. Profit/loss before tax; vii. Tangible assets other than cash and cash equivalents; viii. Corporate income tax paid on a cash basis; ix. Corporate income tax accrued on profit/loss; x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax. The template also calls on reporting organisations to report the time period covered by the information reported in Disclosure 207-4. The template is available from <https://www.globalreporting.org/media/sfcpcrt4/gri-207-tax-standard-2019-factsheet.pdf?id=1616> [↑](#footnote-ref-2)
3. A ‘large undertaking’ is a company that on its balance sheet dates exceed two of the three following criteria: (a) balance sheet total: EUR 20 000 000; (b) net turnover: EUR 40 000 000; (c) average number of employees during the financial year: 250. [↑](#footnote-ref-3)