# Fight for European tax justice.

## Summary

The EU has 500 million people, a huge common market, and no internal borders, and yet it is still a headache for companies to move around, and for governments to tax them fairly. We want to make it easier to do business across the continent, while ensuring that international companies pay their fair share.
*What will we do first?* **Introduce an EU-wide definition on how to calculate corporate taxes to reduce avoidance opportunities.**

## Full proposal

**What's going on?**
Multinationals' agility in shifting profits between jurisdictions constitutes a major problem.[1] Given its rapid growth, the digital economy presents an additional and growing challenge to the management of public finances.

Within the borders of the European Union, tax arbitrage - the practice of profiting from differences between the way transactions are treated for tax purposes - of multinationals and the digital economy needs to be tackled. Currently companies are provided with incentives to restructure their transactions in the most advantageous way

[1] The OECD estimates that some $100bn-$240bn of revenues are lost each year due to the gaps in international rules that allow corporate profits to be artificially shifted to tax havens. See the Financial Times, Europe has corporate tax reform in its sights (2017), available at https://www.ft.com/content/5b1126e6-6880-11e7-8526-7b38dcaef614.

in order to pay the least amount of tax, for example by recognising revenues in a low tax region while recognising expenses in a high tax region. A prominent example is Ireland that gave tax benefits worth up to 13 billion € to Apple.[2]

At the same time, different corporate tax systems in the EU increase transaction costs for companies doing business across European countries due to the time they have to spend complying with a myriad of administrative procedures in different states. When businesses do not understand the effect of borders on their taxes, national authorities are clearly on weak ground - a real solution depends on European and international action.

**What's our vision?**

Volt will make it easier to do business across the continent, and will ensure that international companies pay their fair share. An EU-wide harmonisation of tax codes will give companies clarity about what they will be taxed on, while ensuring fair treatment for all by eliminating tax avoidance. This framework will be based on two pillars: 1) A common approach to what constitutes profits; 2) A common understanding of the geographical link between the origination of profits and tax payments. This will create a more transparent tax system across the EU, as well as equitable growth.

**How do we get there?**

1. **Introduce an EU-wide definition on how to calculate corporate taxes to reduce avoidance opportunities.** An EU-wide definition of what constitutes taxable profits or revenues needs to be introduced. Clear accounting rules that are equal across member states will determine how taxable income is calculated, which is needed in order to allow taxations where revenues are generated and profits are originally caused. Companies active in one country and lacking agility

[2] European Commission, State aid: Ireland gave illegal tax benefits to Apple worth up to €13 billion, available at
http://europa.eu/rapid/press-release_IP-16-2923_en.htm.

due to limited financial and legal resources should not be in an unfair competition with multinationals. Introducing a common corporate tax base at the EU level should be the first step, although a global deal is the ultimate goal.

- In particular, common definitions on what can be accounted for as Research & Development expenses, Debt and Equity financing, Investments and Depreciation need to be found.
- Clear rules to link tax payments to the origin of the income need to be created, and so do geographical rules that allow for the nations to benefit from profits that happen within their jurisdiction.

2. **Introduce a minimal corporate tax level to fight tax havens:** Minimal corporate tax level will be introduced to be levied by the EU, allowing countries to add corporate tax on top.

3. **Stop tax evasion:**
    - **Implement monitoring practices within big corporations:** a full-scale review of corporate tax systems across EU countries should be implemented to monitor practices within big corporations that aim to reduce their tax burden through sophisticated legal structures with no real economic purpose.
    - **Register beneficiaries of every company, organisation, and trust:** tax evasion is not something we should just expect from big corporations - it hurts society. A first step to fight tax evasion is to force offshore / mailbox companies, organisations and trusts to register their beneficial owners publicly in a compulsory registry.

4. **Start European, end up global:** Tax arbitrage and evasion should be fought against at a global level to really make a difference. A European approach should be just the first step. Europe - let's lead on this.