
EU SUGGESTS MAJORITY VOTE ON DIGITAL TAX BY 2025

- 16.01.2019

EU Observer (15 January 2019)

The EU commission proposed on Tuesday (15 January) to extend majority voting to all EU tax policies by the end of 2025 - a highly-sensitive issue, as member states guard their tax policies fiercely.

The EU executive argued that it would make the bloc able "to reach quicker, more effective and more democratic compromises on taxation matters," and more responsive to cross-border challenges such as organised crime and tax evasion.

The commission said that globalisation and, the growth of the digital economy have complicated taxation and revenue rights, while recent scandals, such as the Panama Papers, allowed a peek into the massive scale of international tax fraud.

"Unanimity doesn't protect the sovereignty anymore," economy commissioner Pierre Moscovici said Tuesday. He added that €50bn is not collected annually simply because of cross-border fraud.

The commission also suggested to member states extending majority voting to the controversial digital tax by 2025.

That three percent digital tax is on online revenues of large digital companies accused of paying too little tax, by funnelling their EU profits through states with low taxes, such as Luxembourg and Ireland.

The digital tax plan has been in deadlock after finance ministers failed to agree on it in December. France has since announced it would go ahead with the tax.

The commission stated that it only wants to start a political debate on the issue with member states, and was not intent on harmonising tax rates or creating new EU-level competencies.

"We want to move forward with member states, not against them," Moscovici told reporters in Strasbourg.

"We wish to convince member states that it is in their interest, and in the interest of the citizens, to gradually move to qualified majority voting," he added.

"This is not about creating new competencies, new taxes, new revenue, or harmonising tax rates, but to start a discussion on how to respond to the expectation of citizens," Moscovici argued.

Moscovici said, referring to the European elections, that according to an EU poll, 74 percent of

citizens think the fight against tax evasion and tax fraud should be one of the priorities of the EU.

The commission said the unanimity requirement makes compromise very difficult, as one member state can kill the entire process, and it drives countries to agree on the lowest common denominator settlement, making tax powers toothless.

The EU executive now wants member states to agree quickly on majority decision-making, to improve cooperation in fighting tax fraud and tax evasion, and harmonise reporting obligations for businesses in the EU.

Another field where the commission sees the possibility for better coordination is where taxation supports another policy area, such as fighting climate change or improving public health.

The next leap for member states would be to agree, by the end of 2025, to modernise EU rules for VAT and excise duty, to allow majority vote on such policies as the common consolidated tax base, a single rulebook for calculating businesses' taxable profits in the EU and digital tax.

The commission plans to activate a so-called "passarelles clause" in the Lisbon Treaty to move tax issues from unanimity to majority vote. It will be up to EU leaders to activate the clause with the consent of the European Parliament, with no objection from any of the national parliaments.

This way the EU could avoid the almost impossible task of renegotiating the treaty.

Rolling back national tax powers is also championed by EU commission president Jean-Claude Juncker, who served as the prime minister of Luxembourg for almost two decades, overseeing turning the small duchy into a tax haven.

He floated this idea in his state of the union speech last September.

However, EU member states are unlikely to throw themselves into discussing EU-wide tax policies ahead of the European elections in May, where populists who already accuse Brussels of a power-grab are likely to surge.

Kaynak/Source: