Procedure file

Basic information

INI - Own-initiative procedure	2013/2025(INI)	Procedure completed
Annual tax report: how to free the EU potential for economic growth Subject 2.70.02 Indirect taxation, VAT, excise duties 5.05 Economic growth		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		17/01/2012
		PPE GÁLL-PELCZ Ildikó	
		Shadow rapporteur	
		S&D LUDVIGSSON Olle	
		ALDE TREMOSA I BALCELLS Ramon	
		Verts/ALE LAMBERTS Philippe	
		ECR STREJČEK Ivo	
	Committee for opinion	Rapporteur for opinion	Appointed
	PETI Petitions	The committee decided not to give an opinion.	
	TRAN Transport and Tourism	The committee decided not to give an opinion.	
	IMCO Internal Market and Consumer Protection	The committee decided not to give an opinion.	
European Commission	Commission DG	Commissioner	
	Taxation and Customs Union	ŠEMETA Algirdas	

Key events

14/12/2012	Non-legislative basic document published	COM(2012)0756	Summary
11/03/2013	Committee referral announced in Parliament		
24/04/2013	Vote in committee		
30/04/2013	Committee report tabled for plenary	A7-0154/2013	Summary
21/05/2013	Results of vote in Parliament		
21/05/2013	Debate in Parliament		
21/05/2013	Decision by Parliament	T7-0206/2013	Summary
21/05/2013	End of procedure in Parliament		

Technical information

Procedure reference	2013/2025(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Other legal basis	Rules of Procedure EP 159
Stage reached in procedure	Procedure completed
Committee dossier	ECON/7/11579

Documentation gateway

Non-legislative basic document		COM(2012)0756	14/12/2012	EC	Summary
Committee draft report		PE504.212	05/02/2013	EP	
Amendments tabled in committee		PE505.997	06/03/2013	EP	
Committee report tabled for plenary, single reading		A7-0154/2013	30/04/2013	EP	Summary
Text adopted by Parliament, single reading		T7-0206/2013	21/05/2013	EP	Summary

Annual tax report: how to free the EU potential for economic growth

PURPOSE: to strengthen the Single Market by removing cross-border tax obstacles for passenger cars.

BACKGROUND: each year, about 3 million used cars are transferred between Member States, of which up to 1 million are linked to people migrating from one Member State to another. The issues of double or multiple taxation and of potential tax discrimination in case of crossborder transfers of passenger cars are of concern to EU citizens and service providers. This can be an obstacle to EU citizens' right to move freely in the EU.

In its 2010 EU Citizenship Report, the Commission announced that it would work on solutions to double registration taxes on cars as this can be an obstacle to EU citizens' right to move freely in the EU and in its Communication 'Removing cross-border tax obstacles for EU citizens' the Commission pointed out that, when buying a car in a Member State other than that of their normal residence or when transferring a car to a Member State other than that in which it is registered, EU citizens frequently face excessively complex re-registration procedures and may have to pay registration and/or circulation taxes twice.

It should be noted that, currently, there is no harmonisation at EU level of car registration and circulation taxes. The Commission has taken initiatives and put forward legislative proposals to solve these problems on three occasions, in 1975, in 1998 and in 2005. The 1975 proposal resulted in the adoption of Directive 83/182/EEC, providing tax exemptions for the temporary introduction of a motor-driven road vehicle into a Member State from another Member State.

Despite the jurisprudence of the Court and legislative actions, it has not been possible to overcome the fragmentation of national tax schemes or to fully and systematically remove double taxation and the potential tax discrimination of cars transferred by citizens from one Member State to another.

CONTENT: this Communication aims at clarifying the EU rules on vehicle taxation, explaining rights and obligations of Member States, citizens and businesses.

The Commission considers the abolition of registration taxes and integrating them (in a revenue neutral way) into the circulation taxes as well as the harmonisation and 'greening' of car taxation as the best solution to the remaining problems identified above. However, as the 2005 proposal has so far not been adopted, it is appropriate to explore immediate solutions to the problems identified in this Communication.

Hence, the Commission has identified and proposes to the Member States to apply the following best practices in the short term:

(1) Lack of information: to ensure that taxpayers know their rights and obligations when moving to another Member State, Member States should provide adequate information on their application of registration and circulation taxes on vehicles in cross-border situations, including information on how they have implemented the EU legal framework. To this end, a central contact point for taxpayers should be designated, to which a link can be provided on the website of the Commission.

(2) Double taxation: to avoid double taxation and 'over-taxation' where citizens move a car permanently from one Member State to another, Member States that initially applied a registration tax should as a minimum grant a partial refund of the tax taking into account the depreciation of the car independently from whether or not the Member State of destination provides an exemption from registration tax, if any.

(3) Temporary transfer of a passenger car and rental cars: Member States should make full use of the flexibility offered by Directive 83/182/EEC to apply more liberal arrangements allowing for the temporary use of vehicles in Member States without application of registration and circulation tax. This relates, in particular, to rental cars registered in another Member State, but also to other situations of temporary or occasional use by a resident of a car registered in another Member State.

(4) Fragmentation of the EU car market: Member States should take action to reduce the fragmentation of the EU car market caused by the

divergent application by Member States of car registration and circulation taxes. The upcoming Guidelines on financial incentives for clean and energy-efficient vehicles also need to be taken into account.

After having received the opinion of the institutions to which this Communication is addressed, the Commission intends to set up a technical Working Group to discuss the issues above with Member States. As a result of this process, the discussions in the Council on the 2005 proposal could gain a new momentum. Revision of Directive 83/182/EEC could also be envisaged in order to take account of the extensive jurisprudence of the Court and to enhance transparency and legal certainty.

Annual tax report: how to free the EU potential for economic growth

The Committee on Economic and Monetary Affairs adopted the own-initiative report by Ildikó GÁLL-PELCZ (EPP, HU) on the Annual Tax Report: how to free the EU potential for economic growth.

Whilst noting that taxation policy still remains a national competence, Members consider that this does not exclude the effective coordination of tax arrangements at European level.

Despite the improvements made in the field of tax policy coordination, EU citizens and enterprises engaged in cross-border activities still face considerable costs, administrative burdens and legal gaps which need to be eradicated as soon as possible in order to enable them to grasp the full benefits of the single market.

Sustainable fiscal policies: in order to achieve economic balance Members feel it is necessary not only to ensure compliance with sustainable fiscal policies, but also to implement growth-conducive measures such as fighting tax fraud and evasion, shifting taxation towards more growth-friendly tax areas and providing viable tax stimulus for both self-employed persons and small and medium-sized enterprises (SMEs), especially with the aim of promoting innovation. They consider it in the interest of enterprises and citizens to have a clear, predictable, stable and transparent tax environment within the Single Market.

The report recommends that Member States proceed carefully when altering existing taxes and introducing new taxes, ensuring that this is done in a growth-friendly way. Concerned about the effects that the shift in many Member States towards a more extensive taxation of consumption could have on social inequalities, Members suggest introducing a certain degree of flexibility in the VAT system, where some product categories such as culture or basic needs could be taxed at rates below the standard rate.

EU-wide tax information system: the report recommends as an eventual solution, the establishment of an EU-wide tax information system serving not to harmonise the different national tax structures, but to facilitate their coordination in a continuous and transparent manner, keeping track of the cuts and increases made within each structure. Members consider that the framework of the European Semester would be a good basis for the functioning of such a system.

Fighting tax fraud and evasion and abolishing double taxation: noting that an estimated EUR 1 trillion in public revenue is lost every year in the EU because of tax fraud and tax avoidance, the report calls on Member States to take the measures needed to at least halve the tax gap by 2020.

Member States are asked to:

- improve substantially their tax surveillance, control and collection capacity;
- improve their administrative cooperation in the area of direct taxation;
- implement the Commission proposals for the introduction of a General Anti-Abuse Rule to counteract aggressive tax planning practices and include a clause in their respective double taxation conventions to prevent occurrences of double non-taxation;
- engage in serious negotiations and complete the procedures for all pending legislative proposals regarding issues of tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens;
- conclude the process of reviewing and extending the scope of the Savings Taxation Directive and, following the report from Parliament, to adopt and implement without delay the Commissions proposal for a Quick Reaction Mechanism against VAT fraud.

Lastly, in line with solid Commission observations, the report underlines that environmental taxes are among the most growth-friendly in relative terms.

Annual tax report: how to free the EU potential for economic growth

The European Parliament adopted by 527 votes to 121 with 26 abstentions, a resolution on the Annual Tax Report: how to free the EU potential for economic growth.

Members consider that the need to restore the credibility of budgetary policies, and to reduce the sovereign debt of Member States, makes it necessary to modify budget expenses, swiftly implement growth-friendly structural reforms, improve methods of tax collection and modify some taxes. Priority must be given to those taxes that are levied on capital, environmentally harmful activities and some types of consumption rather than to those levied on labour.

Whilst noting that taxation policy still remains a national competence, Members consider that this does not exclude the effective coordination of tax arrangements at European level.

Despite the improvements made in the field of tax policy coordination, EU citizens and enterprises engaged in cross-border activities still face considerable costs, administrative burdens and legal gaps which need to be eradicated as soon as possible in order to enable them to grasp the full benefits of the single market. Furthermore, harmful tax competition has a detrimental economic impact.

Sustainable fiscal policies and growth: in order to achieve economic balance Members feel it is necessary not only to ensure compliance with sustainable fiscal policies, but also to implement growth-conducive measures such as fighting tax fraud and evasion, shifting taxation towards more growth-friendly tax areas and providing viable tax stimulus for both self-employed persons and small and medium-sized enterprises (SMEs), especially with the aim of promoting innovation. They consider it in the interest of enterprises and citizens to have a clear, predictable, stable and transparent tax environment within the Single Market.

The resolution recommends that Member States proceed carefully when altering existing taxes and introducing new taxes, ensuring that this is done in a growth-friendly way. Concerned about the effects that the shift in many Member States towards a more extensive taxation of consumption could have on social inequalities, Members suggest introducing a certain degree of flexibility in the VAT system, where some product categories such as culture or basic needs could be taxed at rates below the standard rate.

EU-wide tax information system: Parliament recommends as an eventual solution, the establishment of an EU-wide tax information system serving not to harmonise the different national tax structures, but to facilitate their coordination in a continuous and transparent manner, keeping track of the cuts and increases made within each structure. Members consider that the framework of the European Semester would be a good basis for the functioning of such a system.

Members welcome the Commission's initiative regarding the elaboration of a single guide for the calculation of corporate taxes. They call on Member States to agree on and start implementing the Common Consolidated Corporate Tax Base (CCCTB), based on Parliament's position as a key point of reference in this regard.

They also underline that there is a substantial growth potential in reducing and removing tax-related impediments to cross-border activities in the single market.

Fighting tax fraud and evasion and abolishing double taxation: noting that an estimated EUR 1 trillion in public revenue is lost every year in the EU because of tax fraud and tax avoidance, Parliament calls on Member States to take the measures needed to at least halve the tax gap by 2020.

Member States are asked to:

- improve substantially their tax surveillance, control and collection capacity;
- improve their administrative cooperation in the area of direct taxation;
- implement the Commission proposals for the introduction of a General Anti-Abuse Rule to counteract aggressive tax planning practices and include a clause in their respective double taxation conventions to prevent occurrences of double non-taxation;
- engage in serious negotiations and complete the procedures for all pending legislative proposals regarding issues of tax fraud, tax evasion, tax avoidance, aggressive tax planning and tax havens;
- conclude the process of reviewing and extending the scope of the Savings Taxation Directive and, following the report from Parliament, to adopt and implement without delay the Commissions proposal for a Quick Reaction Mechanism against VAT fraud.

Lastly, in line with solid Commission observations, Parliament underlines that environmental taxes are among the most growth-friendly in relative terms.