

# Procedure file

| Basic information   |                                |                     |
|---|--------------------------------|---------------------|
| INL - Legislative initiative procedure  | <a href="#">2020/2254(INL)</a> | Procedure completed |
| <p>Fair and simpler taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)</p> <p>Subject<br/>           2.70 Taxation<br/>           2.70.01 Direct taxation<br/>           2.70.02 Indirect taxation, VAT, excise duties<br/>           3.45.04 Company taxation</p> |                                |                     |

| Key players         |   |  |            |
|---------------------|---|--|------------|
| European Parliament | Committee responsible   | Rapporteur   | Appointed  |
|                     |  <a href="#">Economic and Monetary Affairs</a> |  <a href="#">NIEDERMAYER Luděk</a>             | 28/10/2020 |
|                     |   | Shadow rapporteur  |            |
|                     |   |  <a href="#">BELKA Marek</a>                  |            |
|                     |   |  <a href="#">PÎSLARU Dragoș</a>              |            |
|                     |   |  <a href="#">GRUFFAT Claude</a>              |            |
|                     |   |  <a href="#">MOŹDŹANOWSKA Andželika Anna</a> |            |
|                     |   |  <a href="#">BECK Gunnar</a>                 |            |
| European Commission | Commission DG<br><a href="#">Taxation and Customs Union</a>   | Commissioner<br>GENTILONI Paolo  |            |

| Key events |  |   |         |
|------------|--|---|---------|
| 17/12/2020 | Committee referral announced in Parliament |   |         |
| 02/02/2022 | Vote in committee                          |   |         |
| 10/02/2022 | Committee report tabled for plenary        | <a href="#">A9-0024/2022</a>  | Summary |
| 09/03/2022 | Debate in Parliament                       |  |         |
|            | Decision by Parliament                     |   | Summary |

| Technical information      |  |
|----------------------------|--|
| Procedure reference        | 2020/2254(INL)                         |
| Procedure type             | INL - Legislative initiative procedure |
| Procedure subtype          | Request for legislative proposal       |
| Legal basis                | Rules of Procedure EP 47               |
| Stage reached in procedure | Procedure completed                    |
| Committee dossier          | ECON/9/04844                           |

| Documentation gateway                               |  |                              |            |    |         |
|---|--|------------------------------|------------|----|---------|
| Committee draft report                              |  | <a href="#">PE662.076</a>    | 28/09/2021 | EP |         |
| Amendments tabled in committee                      |  | <a href="#">PE697.830</a>    | 15/11/2021 | EP |         |
| Committee report tabled for plenary, single reading |  | <a href="#">A9-0024/2022</a> | 10/02/2022 | EP | Summary |
| Text adopted by Parliament, single reading          |  | <a href="#">T9-0082/2022</a> | 10/03/2022 | EP | Summary |

## Fair and simpler taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)

The Committee on Economic and Monetary Affairs adopted a legislative initiative report by Luděk NIEDERMAYER (EPP, CZ) with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation).

Members welcomed the action plan and supported its full implementation. They noted that the majority of the 25 actions are VAT-related, which is appropriate given the high level of revenue losses in the VAT area and the need to support businesses, especially SMEs. However, they believe that an impact assessment should be carried out to complement concrete legislative proposals in order to better understand the potential effects on taxpayers and businesses.

The unprecedented impact and scale of the COVID-19 crisis on the economy has led to a decrease in tax revenues and a sharp increase in public debt. Members considered that it is essential to combat tax evasion and fraud while maintaining taxes at levels that support sustainable economic growth and the EU's economic and social recovery and longer-term challenges, without compromising adequate tax revenues.

According to the report, a rapid recovery requires a strong economic and fiscal policy response through reforms and investments, including:

- an effective level playing field for taxpayers and businesses, by reducing or eliminating tax benefits that unfairly disadvantage SMEs, including a reduction in red tape, through a simple, fairer, digital and more predictable tax environment;
- ensuring that Member States have the tax revenues to finance recovery, the transition to a carbon-neutral economy, a reduction in their debt-to-GDP ratio and the stimulation of investment; and
- ensuring fair taxation of businesses and citizens, increasing transparency and trust in society and fair competition, based on agreed standards and coordinated and digitalised reporting systems.

Members called on the Commission to present to Parliament by 2022/2023 one or more legislative proposals addressing the following recommendations:

### (1) Simplification, reducing compliance costs for taxpayers

The report called on the Commission to:

- move towards a single EU VAT registration procedure and a single EU VAT number by 2023 to reduce compliance costs, in particular for SMEs operating in the Single Market;
- put in place measures to further reduce the costs and complexity of taxation of SMEs and European Companies (SEs) by 2023. The Commission should explore the possibility of introducing a single pan-European income tax regime for SEs and start-ups.

### (2) More certainty for taxpayers and/or Member States' tax administrations

The report called on the Commission to:

- identify the remaining gaps in Council Directive (EU) 2017/1852 on tax dispute resolution mechanisms in the European Union, as well as propose one or more effective ways to address existing tax residence conflicts and uncertainties for both natural and corporate persons, leading to risks of double taxation and/or double non-taxation;

- present proposals on the definition of tax residence by 2023;
- assess the need for and the most appropriate way to extend automatic information exchange between Member States to other categories of income and assets, such as crypto-assets;
- issue guidelines on tax incentives that do not distort the single market.

### (3) Reducing tax leakage and compliance costs

The report called on the European Commission to:

- put in place, without delay and by 2022 at the latest, a common harmonised standard for e-invoicing across the EU, to reduce the cost of creating fragmented and different systems across the Member States;
- explore the possibility of the gradual introduction of obligatory e-invoicing across the EU by 2023, with a focus on significantly reducing compliance costs, in particular for SMEs;
- propose measures that would significantly reduce the VAT gap, in particular the gap related to the exemption of EU cross-border trade. This includes relaunching the initiative of the definitive regime, which is the most natural and effective way to combat VAT fraud and to simplify compliance with VAT obligations;
- present a legislative proposal on a single harmonised corporate tax (CIT) return to support the BEFIT framework in the EU;
- provide an independent assessment of the work done and propose ways to take forward the launch of an EU Tax Observatory as a preparatory action.

### (4) A new coordinated European corporate income tax system

The report invited the Commission to:

- carry out a thorough impact assessment and include strong anti-avoidance clauses in the forthcoming proposal for a franchise to reduce debt-incentives;
- ensure that different elements of what constitutes real economic activity of businesses are taken into account (sales, labour force, assets) in the context of the future framework for income taxation (BEFIT);

### (5) Efficiency of tax administrations, exchange of tax information and data quality

The report called on the Commission to strengthen the EU's network of anti-fraud experts, Eurofisc, and to provide sufficient resources to carry out joint risk analyses, coordinate investigations and cooperate with the European Anti-Fraud Office (OLAF), Europol and the European Public Prosecutor's Office (EPPO), in particular to investigate VAT fraud.

## Fair and simpler taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation)

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The European Parliament adopted by 476 votes to 78, with 129 abstentions, a resolution with recommendations to the Commission on fair and simple taxation supporting the recovery strategy (EP follow-up to the July Commission's Action Plan and its 25 initiatives in the area of VAT, business and individual taxation).

Members welcomed the action plan and supported its full implementation. The action plan provides for a dual pronged approach combining action to combat tax fraud and tax evasion with simplification of measures to remove unnecessary obstacles and administrative burdens for taxpayers, in particular for citizens and SMEs.

Parliament stressed the need to improve cooperation between EU and national tax authorities in the field of company taxation and to increase transparency in this area with a view to improving tax collection and compliance.

Moreover, the current international rules on corporate taxation are no longer adequate in the context of the digitalisation and globalisation of the economy. The use of technology and digitisation to make more effective use of available data could increase the efficiency and transparency of tax authorities, reduce compliance costs and increase public confidence.

Members also believe that company taxation should be guided by the principle of taxing profits where they are generated, and that a more harmonised and coordinated approach to the corporate tax system across the EU could help to combat unfair competition caused by harmful tax practices.

According to Parliament, a rapid recovery requires a strong economic and fiscal policy response through reforms and investments, including:

- an effective level playing field for taxpayers and businesses, by reducing or eliminating tax benefits that unfairly disadvantage SMEs, including a reduction in red tape, through a simple, fairer, digital and more predictable tax environment;
- ensuring that Member States have the tax revenues to finance recovery, the transition to a carbon-neutral economy, a reduction in their debt-to-GDP ratio and the stimulation of investment; and
- ensuring fair taxation of businesses and citizens, increasing transparency and trust in society and fair competition, based on agreed standards and coordinated and digitalised reporting systems.

Parliament called on the Commission to present to Parliament by 2022/2023 one or more legislative proposals addressing the following recommendations:

### (1) Simplification, reducing compliance costs for taxpayers

The resolution called on the Commission to:

- move towards a single EU VAT registration procedure and a single EU VAT number by 2023 to reduce compliance costs, in particular for SMEs operating in the Single Market;

- put in place measures to further reduce the costs and complexity of taxation of SMEs and European Companies (SEs) by 2023. The Commission should explore the possibility of introducing a single pan-European income tax regime for SEs and start-ups.

#### (2) More certainty for taxpayers and/or Member States' tax administrations

The resolution called on the Commission to:

- identify the remaining gaps in Council Directive (EU) 2017/1852 on tax dispute resolution mechanisms in the European Union,

- present proposals on the definition of tax residence by 2023;

- assess the need for and the most appropriate way to extend automatic information exchange between Member States to other categories of income and assets, such as crypto-assets.

#### (3) Reducing tax leakage and compliance costs

The report called on the European Commission to:

- put in place, without delay and by 2022 at the latest, a common harmonised standard for e-invoicing across the EU, to reduce the cost of creating fragmented and different systems across the Member States;

- explore the possibility of the gradual introduction of obligatory e-invoicing across the EU by 2023, with a focus on significantly reducing compliance costs, in particular for SMEs;

- propose measures that would significantly reduce the VAT gap, in particular the gap related to the exemption of EU cross-border trade. This includes relaunching the initiative of the definitive regime, which is the most natural and effective way to combat VAT fraud and to simplify compliance with VAT obligations;

- present a legislative proposal on a single harmonised corporate tax (CIT) return to support the BEFIT framework in the EU;

- propose ways to take forward the launch of an EU Tax Observatory as a preparatory action.

#### (4) A new coordinated European corporate income tax system

The resolution invited the Commission to:

- carry out a thorough impact assessment and include strong anti-avoidance clauses in the forthcoming proposal for a franchise to reduce debt-incentives;

- ensure that different elements of what constitutes real economic activity of businesses are taken into account (sales, labour force, assets) in the context of the future framework for income taxation (BEFIT);

#### (5) Efficiency of tax administrations, exchange of tax information and data quality

The resolution called on the Commission to strengthen the EU's network of anti-fraud experts, Eurofisc, and to provide sufficient resources to carry out joint risk analyses, coordinate investigations and cooperate with the European Anti-Fraud Office (OLAF), Europol and the European Public Prosecutor's Office (EPPO), in particular to investigate VAT fraud.