PROPOSAL FOR A RESOLUTION [1.4.] OF THE UEF CONGRESS "RESOLUTION ON FAIR TAXATION AND OWN RESOURCES"

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Following the publication of the Monti report on EU own resources in January 2017 and the Commission's proposals on the same topic , UEF considers that restoring the EU's true own resources is a priority. New challenges on our external borders (external security, migrations, fundamentalism) and globally have pushed new priorities forward (climate change, external action and defence, innovation and research, digital skills) and made EU investment through fair taxation an urgent matter to support sound public finances and the need for growth and jobs.

Taxation remains an exclusive competence of the Member States, meaning any reform of the system of own resources depends on the unanimous agreement of all and the ratification by national parliaments, thereby depriving the European Parliament of a capacity to make its voice heard.

Making large companies pay their due for taking advantage of the European Single market is an urgently needed reform. This might allow financing urgently needed tasks or the new priorities presented by President Juncker in his 2017 State of the Union speech and in the Commission proposals of 2 May 2018 for a Multiannual Financial Framework 2021-2027 . This reform would allow the EU to be financed by 'rational taxes' linked to its activities, rather than by contributions from Member States, as in the original design of the Customs Union. This would end all debates on the so-called "juste retour" and prevent the yearly arm twisting and 7-yearly blackmail by Member States when defining EU budgets;

UEF urges the Council and the Member States to:

1. Support the proposal discussed in the European Council in Tallin of taxing web companies as a function of their "virtual permanent establishment", whereby digital firms should pay taxes in countries where they have a "significant digital presence".
2. Support the Commission proposal of 21.03.2018 for an interim tax on the sales of digital services using information provided by EU-based agents, ahead of a harmonised corporate tax base to be adopted in multilateral coordination with the OECD.
3. Propose that all corporations earning close to 1 billion euro in revenue worldwide and revenues of 50 million Euro from the EU single market, pay a modest levy (i.e. 10 to 20% of their profits, instead of the 3% proposed as a harmonised rate on revenue) directly to the European Union. This being a direct EU added value, the revenue should be an EU own resource, not a revenue for national budgets. This would be much simpler, both for the taxing authority and for companies, and in addition, counter Euroscepticism by committing to fair taxation.
4. Quickly to take up the 2016 Commission proposals on a common consolidated tax base for corporate taxation as a welcome tool to fight against tax evasion, counterbalance the erosion of national tax revenues and provide the EU budget with a solid resource (3%) deducted from their GNI contributions.

Observations and reasons for application

The piecemeal dismantling of own resources since 1988 have led to the situation where considerations of "fair return" prevail over the debate on EU budget, its added value and the financing of common goods and where 70% on average of EU own resources are contributions from the Member States.

The current European mood is positive and more than 60% Europeans, according to the 2017 Eurobarometer survey on “The Future of Europe” (http://europa.eu/rapid/press-release_IP-16-4493_en.htm) see in the EU the best way to preserve their quality of life and that of their children.

After a succession of scandals (Luxleaks in 2015, Panama Papers in 2016, Paradise Papers in 2017) raised public outcry, the European Commission in 2015 relaunched its 2011 action plan for fair and efficient taxation. In particular, it relaunched its proposal for a Common Consolidated Corporate Tax Base , allowing cross border companies to comply with a single EU system to calculate their taxable profits in the EU, to consolidate their losses and profits across the EU and be taxed where they active at the national rate. This aims to put an end to tax rulings whereby some Member States attract companies to localize their profits with them and deprive other Member States from revenue;

In the digital economy, the Member States compete to tax evasive, mobile tax bases. In March 2018, the Commission proposed a reform of the EU’s corporate tax rules for digital services which ensures that companies with no physical establishment but a “significant digital presence” pay taxes on profits where they are actually generated. A Second proposal bears on an interim tax on certain revenue from digital activities which could be taxed at a uniform 3%.

- the European Commission on 4 October 2017 referred Ireland to the European Court of Justice for failing to recover from Apple illegal state aid worth up to 13 billion euro in unpaid taxes for the past 10 years, as required by its previous decision of August 2016;
- -In June 2017, it imposed on Google a record penalty of 2.46 billion euro for abusing its web search position so as to privilege its own “Google Shopping” engine;

The European Commission considered 250 million euro unpaid taxes from the online sales giant Amazon were “undue tax benefits” and illegal under EU state aid rules, inviting Amazon to pay the back taxes to Luxembourg on 4 October 2017;

The dismantling of own resources since the 1990s has left the EU budget with net balances which ignore the added value of EU policies and make the financing of European common goods almost impossible. The reform of EU revenues has been long overdue and British exit provides an opportunity to put an end to the various rebates on national GNI contributions.

Several proposals to create a new stream of revenue have been put on the table by the High Level Group on own resources 26 (“Monti report”) in January 2017.

In February 2013, the European Commission converted its 2011 proposal for a harmonised financial transaction tax into a proposal for an enhanced cooperation which however got bogged down in negotiations between the 11 (now 10) Member states concerned. This deprives the EU of a viable resource which, due to its mobile tax base and cross border nature, would have a marked EU added value.

Meanwhile the Member states prepare to take measures in a disorderly way, thereby exacerbating tax competition inside the Single Market and feeding public outrage ahead of the May 2019 elections; Commissioner Vestager acted duly when it analysed Ireland’s failure to tax Apple as illegal state aid harmful to the internal market and a source of distortion of competition rules.

The US reform of corporate tax since 1 January 2018 shows the way to restore the tax base which is abusively eroded by delocalizing profits and IP rights to tax havens; it is also to tax income on multinational companies which the Member States in the EU are loath to recover and to actively lure companies into relocating their tax base in the United states (sales above 500 million dollars to be taxed at 5% in 2018, 10% then 12,5% after 2025). The inaction of the Member States simply means the EU is losing out in the global tax war;

The Commission should, when presenting its priorities for the future, also address more what the EU citizens want and expect from it, even if it is not part of its competencies – it would still get most of the blame in case of failure;

The EU budget of some 150 billion euro is less than 1% of EU's GDP but actual beneficiaries of the single market should contribute:

Each company doing close to 1 billion euro of consolidated group revenue (or a share of this on the 28 Member States) should be taxed at a rather low rate, but at EU level; the European Commission on 21 March 2018 proposed taxing digital revenues where the users generate the data and the value, expecting a 3% tax rate to bring a yearly revenue of € 5 billion.

Applying the Irish Corporate tax of 12.5% to some 20 billion euro which Apple reported in that country (http://www.euractiv.com/section/trade-society/news/apple-ireland-lines-of-defence-diverge-in-state aid-case/), would generate 2.5 billion euro; taxing the1916 other big digital companies (i.e. companies making more than 1 billion Euro) would more than plug the UK contribution gap left after Brexit and possibly funding the new priorities identified by President Juncker.