[EPSU welcomes Parliament's recommendations following Panama Papers inquiry]

(19 December 2017) By a large majority, the European Parliament adopted on 13 December a damning report by the inquiry committee on the Panama Papers.

The report provides a summary of the reasons why the European Union must put its house in order on tax if it wants to keep some credibility towards its citizens and the International scene to fight international tax avoidance, fraud and money laundering by wealthy individuals and companies.

The culture of secrecy including in the Business tax code of conduct, an offshoot of Council, that has been supposed to deal with harmful taxation since 2001, EU governments' systemic lack of cooperation and violations of existing law and sanctions on anti-money laundering and on anti- tax fraud and general anti-avoidance (or anti-abuse) rules are amongst the stated reasons of concerns. And to make things worse, the report points to the increase of tax rulings and other damaging business-friendly tax loopholes in Europe despite series of tax scandals for the past 5 years. The Parliament states that there is an urgent need to punish any breach of law, to redefine the EU taxation model and limit unfair competition between Member States which the Brexit is likely to exacerbate further (to attract financial services based in the UK); this will need to be taken into account in any UK/EU partnership deals.

As repeatedly denounced by EPSU, the European Parliament highlights the chronic underfunding and lack of human resources in tax administrations and financial crime investigation authorities.

Due to the PPE and ALDE opposition, the report does not name and shame the 4 EU member states that neatly comply with [the recently adopted EU list of tax havens]. But the famous 4 are spelled out in relation to foreign direct investment, FDI, a key driver of harmful tax competition. For instance Luxembourg and the Netherlands combined have more inward investment than the US, the vast majority of which is in special purpose entities without substantial economic activity. Ireland has more inward investment than Germany or France, whilst in Malta FDI amounts to 1474%

of the size of its economy. It is estimated that 23% of all corporate investments that end up in tax havens pass through the Netherlands.

Based on 18 months of hearings, fact-finding missions and tedious requests for accessing EU documents on tax, the Parliament makes more than 200 recommendations addressed to EU leaders and Commission, many of which are in line with the tax justice movement including EPSU and some of which are either in the pipeline or currently discussed in Council, such as:

- Investment in financial and human resources to improve supervision and enforcement of anti-money laundering, and aggressive tax planning so that proper investigations can be carried out as soon as the authorities are made aware of the information. National tax should also better cooperate in terms of exchange of (quality) information and tax audits
- Public country-by-country – the draft directive is currently blocked in Council as Germany an others are challenging the legal basis of the proposal – See EPSU briefing on public CBCR
- A Common Corporate Consolidated Tax Base (CCCTB) including a reference to unitary taxation and the need to establish criteria to determine substantial economic activity that must be taxed with a view to fight letterbox companies and ensure that profits are taxed where profits and value are created including in the so-called digital economy – See ETUC position
- Establishment of a UN forum on tax
- protection of whistleblowers – The European Commission (Timmermans in the lead) is expected to adopt an initiative on 28 March 2018
- Revision of the EU public procurement directive to prevent public administrations from working with companies that use tax havens
- public registries and transparency proposals, including the proposal for a public registry of real company and trust owners which was adopted the same week by Council in the context of the 5th anti-money laundering directive (a key tool to combat shell or letterbox companies as exposed by the Panama and Paradise papers, although public access seems likely to remain limited regarding information on trust beneficiary owners)
- regulations on intermediaries including wealth management funds, banks or law firms and sanctions including removal of licenses when these are involved in illegal activities
- Transparency and cooperation with Parliament including Council-led business

tax code of conduct
- And to replace unanimity with qualified majority voting on tax matters in Council.

Finally, in view of governments' persistent reluctance to pool national sovereignties to fight corporate tax avoidance, the Parliament calls for the establishment of a Permanent Inquiry committee on the model of the US Congress with enhanced powers to summon key witnesses and sanction those that do not want to cooperate with elected members of Parliament. Better access to Council documents is also required. In addition, the report calls for the establishment of a special committee on the Paradise Papers, another demand put forward recently by EPSU; the special committee will also aim at following up on the recommendations made in this report.

EPSU regrets that the initial demand for a minimum corporate tax rate didn't pass the vote in plenary due to the opposition of the PPE and ALDE. As the EU has become the world's region with the lowest corporate tax rate, and further cuts are planned in a number of EU countries, this should be a key priority. A recent analysis of the CCCTB made at the ETUC tax committee meeting on 15 December last by a Belgian tax inspector and member of the OECD tax expert group, confirms our concerns that the lack of a common minimum corporate tax rate will limit the benefits of a CCCTB.

The call for EU-wide protection of whistleblowers could also have been made stronger including the provisions for both internal or external disclosure channels, in line with the EP report on whistle-blowers' protection adopted in October last.

That said, the report is a useful compilation of what the EU has failed to do and what it can do to put its house in order to if not eradicate seriously reduce income inequalities in Europe. The release of the World Wealth and Income Database's report coproduced by Thomas Piketty, finds that since the 1980s the wealthiest 1% have benefited twice as much from income growth than the poorest 50% whilst the income of the middle-class has either stagnated or fallen. If progressive taxation and tough rules against tax fraud and tax avoidance is not the key cure to stop and redistribute wealth concentration, what is?

The ball is now in the camp of EU decision-leaders to take action on those 200 recommendations.

The report is available in English and in all EU languages.

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