Finance Ministers' appearance before tax committee: who said what

(29 September 2015) The Special Committee on tax rulings and other similar measures (TAXE) met on 22nd September 2015 and had a first exchange of views with Pierre Gramenga, the Finance Minister of Luxembourg, on behalf of the Council, as LU holds the rotating presidency of the EU, and then with the Finance Ministers of Italy, France, Spain and Germany.

Gramenga said that the draft directive on Automatic Exchange of Information (AEoI) on tax rulings, put forward by the Commission last March, was a ‘main goal’ of the LU presidency.
MEPs asked Gramenga about why TAXE could not have access to the minutes of the Council’s Business Code of Conduct group on harmful tax (Theurer, Joly), why the ECON Council discussions on AEoI are not public (Kaili), what the situation is with the Council discussions on public country-by-country reporting in the context of the Shareholders’ directive (Scott Cato, De Massi and Tang) and about the Council’s stance on a Common consolidated corporate tax base (CCCTB) (Kappel). The Luxembourg Minister was also repeatedly challenged about his own country’s role in enabling corporate tax avoidance as the LuxLeaks tax scandal revealed last November, and in prosecuting whistle-blower Antoine Deltour, formerly employed by PWC, whilst companies exposed as tax avoiders have been left off the hook (Gomes).

Gramenga answered that LU had made lots of reforms in the last 20 months including abolishing banking secrecy and becoming compliant with on-demand exchange of information. “You should not look at the past to judge the present,” he added.

Gramenga said he was optimistic there would be an agreement on AEoI on tax rulings by 6th October with a retroactivity of 5 years for still-valid tax rulings instead of 10 years as proposed by the Commission. He said that the issue of effective rates of corporate is now on the table and will be dealt with in the context of the revision of the interest and royalty payment directive. He added that the Council is awaiting the EC impact assessment on public country-by-country reporting and that the issue would be dealt once that was done.

Padoan (IT)

Welcomed the Commission’s action plan on fair and effective corporate taxation of last June, highlighted the negative impact of tax avoidance and welcomed CCCTB. He pointed out that although giving companies favourable tax treatment through ruling benefited some MS, this meant a loss of revenue for others.

Sapin (FR)

Expressed his support for AEoI on cross-border tax rulings and for minimum effective taxation. He said that this did not, however, go far enough and that measures had to be taken to ensure that income/profit is taxed at least once in the EU. He also welcomed the retabling of CCCTB, calling it ‘a new approach’. Sapin also raised the review of the interest and royalty payment directive as a tool to tackle tax avoidance which could have consequences for companies using a tax evasion model based on royalties-shifting to lower or zero-tax member states, as for instance Mc Donald’s (EPSU’s own addition.)

During questioning, Sapin was specifically challenged by French S&D Berès on the ongoing French investigation into McDonalds’ tax dealings. Berès also called for MS to work together on a cross-border audit of McDonald’s tax affairs. Sapin replied that he did not much like McDonald’s either, as it was the antithesis of French cuisine. He confirmed that the investigation was still ongoing and that they expect to be sending out ‘blue papers’ (in reference to demands for tax payments) to several large companies soon. He was also asked about favourable tax arrangements in France for research and development by Nieuwenhuizen, to which he replied that the R&D tax breaks in France were a useful tool for encouraging innovation and that the system was much appreciated by companies and completely transparent. He also expressed support for treaty change to introduce qualified majority voting in the Council on fiscal matters.

De Guindos (ES)

Stated that tax rulings can be a useful instrument for companies to get clarity on their tax arrangements but that they are being abused in some countries. He expressed support for AEoI and said that Spain had already been at the forefront of information exchange, citing an agreement already in place to share information with several western European MS. He made reference to the OECD BEPS project and said that the OECD norms should form the minimum basis for any European system. He also mentioned the Spanish government's continued annoyance with the lack of action over tax arrangements in Gibraltar. Responding to a specific question from a MEP over the possibility of setting up a European tax authority, he said that although he was very pro-European he thinks there are better short term steps to tackle the problem which are about better cooperation between MS.

Schäuble (DE)

Argued that there had to be 'certain minimum rates of taxation' and that 'tax rulings should no longer be implemented to allow harmful tax planning-' He said that the current EU framework for tax had reached its limits and that he supports the replacement of the Business Code of Conduct group with a fiscal committee in the Council, as proposed by Juncker. Changes he would like to see include new procedures, effective reporting on the business code of conduct (the ministers had been challenged on the lack of public information about the Group) and majority voting.
Read EPSU's press release calling on Finance ministers to investigate McDonald's tax avoidance business model.

Policies
Tax justice
Sectors
National and European Administration