

Euro Tax Flash

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Euro Tax Flash from KPMG's EU Tax Centre



European Parliament issues recommendations to combat aggressive corporate tax planning and evasion

[European Parliament – ECON Committee – Bringing transparency, coordination and convergence to Corporate Tax Policies in the Union](#)

On December 16, 2015 the European Parliament (EP) voted in plenary session on the Economic and Monetary Affairs (ECON) Committee's report entitled "Bringing transparency, coordination and convergence to Corporate Tax policies in the Union". The report was adopted by 500 votes to 122, with 81 abstentions.

Background

Following the LuxLeaks scandal last year, the EP decided in December 2014 to launch the drafting of a legislative own-initiative report on Bringing transparency, coordination and convergence to Corporate Tax policies in the Union. The report contains a number of recommendations to the European Commission which are built on the work of the Parliament's Special Committee on Tax Rulings, whose recommendations were approved at the plenary session on

November 26, 2015 (see [Announcement](#)). This report is set up in the form of a legislative initiative procedure which means that the EC will have to respond to it.

Recommendations made in the final ECON Committee report

The ECON Committee report contains a number of recommendations to the EC on topics such as Country-by-Country Reporting, protection of whistleblowers and CCCTB. The members of the EP especially requested the European Commission to table a certain number of legislative proposals, including:

- Implement Country-by-Country reporting for all sectors by multinational companies, based on the work of the Organization for Economic Cooperation and Development (OECD), by June 2016
- Create a new "Fair Tax Payer" label for companies that engage in good tax practices
- Introduce a mandatory Common Corporate Tax Base (CCTB) by June 2016 and a full Common Consolidated Corporate Tax Base (CCCTB) by the end of 2017, including an anti-avoidance clause
- Introduce a common European Tax Identification Number
- Develop legal protection for whistle-blowers
- Improve cross-border taxation dispute resolution mechanisms
- Introduce mandatory notification for new tax measures, e.g. allowance, relief, exception, incentive or similar measures that will affect the tax base of another Member State (MS)
- Address the corporate tax gap (taxes owed minus what has been paid)
- Strengthen the mandate and improve transparency of the Council's Code of Conduct Group on Business Taxation
- Link preferential regimes (patent boxes and other preferential regimes) to where value is generated, so as to ensure they are not harmful
- Bring forward a legislative proposal to adjust the definition of permanent establishment including the concept of minimum economic substance, as well as coordinate national Controlled Foreign Corporation (CFC) rules
- Create a common definition of tax havens, in cooperation with the OECD and the UN, and publish a biannual list of tax havens and adopt countermeasures for companies making use of them.
- Improve the transfer pricing framework in the EU
- Introduce a withholding tax or similar measure to avoid profits leaving the EU untaxed.

For a more detailed summary of the EP's recommendations, please refer to our previous publications (see [ETF 263](#) and [ETF 265](#)).

Next steps

The European Commission now has three months to respond to the proposed recommendations, either with a legislative proposal or with an explanation for not doing so.

Meanwhile, the EP endorsed the extended mandate of the TAXE II Special Committee on Tax Rulings for another six months. The Committee will continue its work, focusing on harmful corporate tax regimes and aggressive tax planning, including state aid in tax matters and EU Member States' compliance with tax legislation.

EU Tax Centre Comment

The assignments of two different parliamentary committees dealing with corporate taxation, as well as the extension of the TAXE Committee's mandate (as TAXE II Committee), reflect the increasing pressure the EP is putting on other European institutions with regard to countering aggressive tax planning and promoting tax transparency. The legislative own-initiative procedure remains the most effective tool for the EP in this regard, as the European Commission will have to react to each of its recommendations by issuing a legislative proposal or by giving an explanation for not doing so.

Should you require further assistance in this matter, please contact the EU Tax Centre or, as appropriate, your local KPMG tax advisor.

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