

**Algirdas Šemeta**

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## **"Outline of Work Programme 2011 "**

*Check Against Delivery  
Seul le texte prononcé fait foi  
Es gilt das gesprochene Wort*

European Parliament – Committee on Economic and Monetary Affairs

**Brussels, 30 November 2010**

Madam Chair,

Honourable Members,

From our debate during my last appearance in this Committee last June and from the discussions you had since then on taxation issues, there is no question that we share a strong commitment and interest in working towards an improved tax environment in Europe.

Following the Commission's adoption of its 2011 Work Programme, I am here today to outline the main initiatives in the field of taxation next year and to exchange on the state of play of ongoing files.

The current economic environment shows how interdependent Member States' economies are and how crucial EU coordination on fiscal policy is.

In this context, I remain convinced that Europe needs to focus more attention on a policy debate on tax, and I am delighted to exchange views with your Committee on a regular basis.

As announced before the summer break, I have re-launched the Tax policy group, and I chaired a first meeting of the personal representatives of Finance ministers last month. The participants were keen to contribute to this exercise. Based on the first discussions, it appears that the future focus of the TPG's work will be on issues relating to:

- consumption taxes and environmental taxation;
- corporate taxation;
- and the fight against tax fraud and tax evasion.

***Today let me begin by highlighting my ambitions in terms of new strategic initiatives for next year.***

Under the leadership of my colleague Michel Barnier, the College recently adopted an ambitious programme for the re-launch of the Single market, a major instrument to support sustainable growth in the context of the Europe 2020 Strategy.

From our analysis, it is clear that good tax policies are essential in rebuilding and reinforcing our economies. They can also contribute to wider objectives, such as environment and climate change. This is why the Single Market Act has a strong tax dimension.

Too many tax obstacles still exist. It is time to make tax environment cheaper and easier for businesses to operate cross border and to invest in the EU.

The Commission identified, for next year, three strategic initiatives in the field of taxation that would contribute to a better functioning of the Single market:

***First***, a legislative proposal on the common consolidated corporate tax base by Spring next year. By creating common EU rules which companies operating cross border could apply, we would eliminate costly mismatches between national systems and significantly reduce compliance costs for enterprises active in more than one Member State.

***Second***, a communication on a new VAT Strategy for the second half of next year. Tomorrow the College will adopt a Green Paper on the future of VAT to launch a wide public debate. Modernising the VAT system is an ambitious challenge – but one we must meet.

I am aware that your Committee shares this point of view, as expressed in the report from M. Casa, adopted last week in Plenary. VAT receipts have become

increasingly important for national budgets over the last decade. But the current system is open to fraud and evasion - about 12% of theoretical VAT is not collected – and subject to complaints about its complexity and administrative burden for businesses.

**Third**, proposals on the taxation of the financial sector, following the finalisation of an in-depth impact assessment by mid next year. In this field, the Commission has acted diligently, with seriousness and rationale. We carried out a thorough analysis of this subject, notably through our paper on innovative financing in April and on financial sector taxation in September.

The Commission defined its policy orientations in a Communication last October. I follow with interest the preparation of the report of Mrs Podimata on innovative financing, which will surely feed further work we do on these issues.

Beyond CCCTB, VAT and Financial sector taxation, I also have to emphasise that I remain committed to improving the citizen dimension of the Single market and to tackling the difficult issue of double taxation. The Commission will soon identify how to fight taxation problems which citizens suffer from, notably in the field of withholding tax, tax relief procedures and cross border inheritance. This will be followed next year with initiatives on double taxation facing businesses, notably in the field of interest and royalty payments.

**Finally**, on energy taxation, the preparation of the revision of the Directive is progressing. At the College orientation debate last June, converging views were expressed on the fact that the current system does not sufficiently support our common goals. My services are now fine-tuning the impact assessment, in particular in the light of the economic and financial crisis. My intention is to present a proposal to my fellow Commissioners early next year.

***Let me now update you on the progress made on some ongoing files negotiated in the Council and on the Code of Conduct for business taxation***

**First**, on VAT, the formal adoption last October 2010 of the Council Regulation on the strengthening of administrative cooperation will help Member States to enhance the fight against VAT fraud.

The key challenge on which the Commission is now working is to prepare, for the beginning of next year, the effective implementation of the newly adopted measures, in particular the set up of Eurofisc and the automated access to certain data. As regards the proposal on VAT on insurance and financial services, thanks to the work of the Belgian presidency, political orientations were recently agreed in the Council to ensure progress.

**Second**, the negotiations on the good governance package in the Council are slower than I would wish but are nevertheless progressing. No one is now questioning the fact that each element of the package should be examined on its own merits. The Belgian Presidency is very committed to achieving progress on the Directive on Administrative cooperation.

The issues which remain open on this file are very limited and it seems that the December ECOFIN could reach political agreement on it. In parallel, I am working closely with the forthcoming Hungarian presidency to identify how to progress on the savings directive and on the anti-fraud agreements with third countries.

**Third**, as you know, I am convinced that we have to maintain our efforts in the fight against harmful tax competition both within the EU and with our international partners. We entered in constructive discussions with Switzerland and Liechtenstein on how to extend the principles of the Code of Conduct to those two "third" but "close" countries. I also plan to discuss the future of the Code of Conduct itself with the Member States during the next meeting of the Tax Policy Group.

Madam Chair, Honourable Members,

To conclude, let me say a few words on the importance of the "**quality of revenue**" in the context of the crisis exit strategy. In the light of the current economic and financial difficulties, the Member States are challenged to design ambitious fiscal consolidation programmes.

Of course, each Member State will need to decide upon its own approach. However, I am convinced that 27 unilateral and uncoordinated approaches is not the most efficient way forward. It appears from my discussions in the Tax Policy Group that Member States are keen to discuss together how tax policy coordination could better contribute to fiscal consolidation and thereby improve the effectiveness of national strategies.

With this in mind, I am currently working on an analysis of national tax schemes and tax reforms in the context of the exit strategy and I intend to examine with the Member States how best to shape future policy initiative.

Thank you for your attention. I look forward to a fruitful exchange of views.