EUROPEAN COMMISSION

Brussels, 24.1.2020
C(2020) 58 final

Dr. Manwel MALLIA
Chairman of the Standing Committee on
Foreign and European Affairs
Kamra tad-Deputati
The Palace
MT – VALLETTA VLT 1115

Mr Anġlu FARRUGIA
President of the
Kamra tad-Deputati
The Palace
MT – VALLETTA VLT 1115

Dear Chairman,

The Commission would like to thank the Kamra tad-Deputati for its Opinion on the Communication 'Towards a more efficient and democratic decision making in EU tax policy' {COM(2019) 8 final}.

The Kamra tad-Deputati underlines that the move towards decision-making through quality majority voting on measures relating to taxation at European level can possibly have an impact on the Treaty for Malta's accession to the European Union. It considers that the current unanimity rule is essential for protecting Member States' national sovereignty and for ensuring that an individual Member State can exercise its powers and look after its interests.

With its Communication adopted on 15 January 2019, the Commission has intended to launch a broad political debate on the unanimity rule, which applies to all tax decisions taken at the level of the European Union. In the Commission's view, this rule is clearly a major obstacle for the Union's capability to respond timely and effectively to the needs of today's technologically driven and globalised economy, as demonstrated, once more, by the recent debates on the Commission proposal for a digital services tax or on the taxation of alcohol[1]*.*

The Commission is aware that taxation is a sensitive area for Member States, but underlines the importance of having this debate now, in response to clear expectations of citizens to fight tax fraud, evasion and avoidance more effectively. A gradual transition

---

[1] COM(2018) 148 final

to qualified majority voting in selected tax matters, as suggested by the Commission, would be an important efficiency gain for the Union, allowing European businesses to be more competitive on the international stage and our tax systems to respond quickly to the emerging global challenges.

As regards the Kamra tad-Deputati's assumption that only the unanimity principle ensures both the Government's and Parliament's influence on tax policy, the Commission would like to stress that national Parliaments will continue to be closely involved in the decision-making process as they can object to the activation of the 'passerelle clause' and they are notified of all legislative proposals according to Article 12 of the Treaty on European Union.

The Kamra tad-Deputati also recalls the reasoned opinions it issued in 2011 on the Proposal for a Council Directive on a common system of Financial Transaction Tax and amending Directive 2008/6/EC {COM(2011) 594 final} and in 2016 on the Proposal for a Council Directive on a Common Consolidated Corporate Tax Base {COM(2016) 683 final}, and expresses concern about the possible negative implications that the use of the passerelle clause for EU tax policy would entail for Malta's economy and the financial services sector.

The Commission does not contest that, in some cases, fair tax competition between Member States may have some benefits. However, in its Communication, the Commission also highlights that as in the Economic and Monetary Union, tax decisions taken by one Member State can have repercussions and, ultimately, may reduce the policy choices of all other Member States, therefore limiting their tax sovereignty.

For these reasons, the Commission expresses its hope that Malta will remain available for constructive and forward-looking discussions. As a starting point, the first step of the suggested transition relates to measures that are critical for combatting tax fraud, evasion and avoidance (such as administrative cooperation) and facilitating tax compliance for businesses in the Single Market (such as harmonised reporting obligations).

The Commission hopes that these clarifications address the issues raised by the Kamra tad-Deputati and looks forward to continuing the political dialogue in the future.

Yours faithfully,

Maroš Šefčovič
Vice-President

Paolo Gentiloni
Member of the Commission