



## 19/10/2015 – Political economy of tax reforms

**In the context of tax policy challenges in many EU Member States, the 2015 ECFIN taxation workshop addressed the political economy obstacles substantial tax reforms face and possible avenues to successful reform implementation. It presented concrete examples of tax reforms in Italy and Greece, discussed the political economy dimensions of specific tax areas and looked into issues related to tax fraud and tax coordination. The workshop hosted Commissioner Moscovici for the keynote address.**

The event gathered an important number of high-level academics, businesses, trade unions, and representatives from Member States, EU institutions and other international organisations. The workshop was organised in three sessions: "**Obstacles and strategies for tax reforms**", "**Political economy dimensions of specific tax areas**" and a closing session, including **Commissioner Moscovici's keynote address** and a closing panel discussion.

### **Opening session**

The workshop was formally opened by Lucio Pench, Director of DG ECFIN's Fiscal Policy directorate. He recalled that the theme of this 5th ECFIN tax workshop was a logical extension of previous editions, since it discussed the question of why we often do not see the potential for tax reform - discussed at past workshops - materialise.

### **Tax reforms report in EU Member States 2015**

The Commission presented key messages from the recently published joint DG ECFIN and DG TAXUD report "**Tax reforms in EU Member States 2015**", outlining important tax policy challenges in Member States and referring to reasons that might render reforms difficult to implement.

### **Need and drivers for reforms**

The first session of the workshop discussed the needs and drivers for reforms and how to make reforms happen. It highlighted the importance of taking the tax incidence, as well as distributional and tax avoidance considerations into account when considering a tax reform. It also presented some relevant dimensions, like transparency and the compensation of losers, when setting up a strategy to make a tax reform happen. Also the concrete examples of tax reforms in Italy and in Greece were presented and analysed. A general discussion closed this first session of the workshop and provided some stimulating exchanges between the speakers and with the floor.

### **Political economy dimensions of specific tax areas: housing taxes, tax expenditure and international tax coordination**

The second session of the workshop focused on the political economy dimensions of specific tax areas. A first presentation dealt with the resistance to reform recurrent housing taxes and wealth transfer taxes. A second presentation addressed the political economy dynamics of tax expenditures, related to the lack of evaluation and transparency of tax expenditures. A closer look was also given to tax transparency and international tax co-ordination, in particular as regards corporate taxation. Tax initiatives to further enhance tax transparency and to tackle tax fraud and tax avoidance, at the level of the European Union and at global level, were discussed.



## **Closing session by Commissioner Moscovici: need to seek a balance between efficiency , equity and political feasibility**

In the closing session, Pierre Moscovici, European Commissioner for Economic and Financial Affairs, Taxation and Customs, gave a keynote speech. He underlined that governments need to seek a balance between efficiency, equity and political feasibility, sharing his personal experience as Minister of Finance in France and as European Commissioner. The Commissioner stressed that some tax policy challenges are difficult for Member States to address in isolation, namely tax evasion and tax avoidance. He outlined three tracks for the Commission to help Member States implement tax reforms: the European Semester cycle, the on-going dialogue with Member States and EU level initiatives. During the closing panel discussion the relevance of political economy dimensions, whether at national, European or international level, were recalled.