

EP Suggests New Framework on Harmful Tax Practices

Thomas Wahl



News

On 7 October 2021, the European Parliament adopted a [resolution that calls for a reform of the EU policy on harmful tax practices](#). The resolution, which was adopted by 506 to 81 votes (with 99 abstentions), stresses that tax evasion and tax avoidance result in an unacceptable loss of substantial revenue for Member States, currently needed to address the devastating consequences of the coronavirus pandemic. Estimates of corporate tax avoidance range between €160-190 billion. The resolution acknowledges that tax competition among countries is not problematic per se, however, common principles on the extent to which they can use their tax regimes and policies to attract businesses and profits are needed.

The resolution makes several recommendations for the future EU work on harmful tax practices. MEPs called on the Council to finalise negotiations on important legislation in this field, recommend establishing more binding instruments, and proposed a further development of the European Semester as a tool to support curbing aggressive tax planning within the EU.

Ultimately, MEPs called for a fundamental reform of the EU's Code of Conduct on Business Taxation (CoC) – a soft law instrument that currently sets out the main framework against harmful tax practices. MEPs urge to revise the criteria, governance and scope of the CoC through a binding instrument. The resolution therefore provides for a concrete proposal for a “Framework on Aggressive Tax Arrangements and Low Rates” (FATAL), which would replace the current CoC.

The EP's initiative came shortly after the revelation of the “[Pandora Papers](#)” – the most recent global media investigation into the use of offshore tax havens by politicians, businesspeople, and celebrities to hide assets worth hundreds of millions of dollars. On 6 October 2021, [MEPs unanimously expressed](#) indignation and disgust at the Pandora Papers revelations and blamed governments' for their woefully inadequate response to tax avoidance/evasion for over a decade. In particular, MEPs criticised the EU's listing process of non-cooperative jurisdiction for tax purposes, with third countries having been removed from the black list in the same week that the Pandora Papers came to light and mentioned these countries as tax havens. MEPs urge to update this process as well as to conclude an international agreement on business taxation.

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