

# Study Makes Proposals for Combating Tax Avoidance on Capital Gains



## News

Thomas Wahl

At the beginning of February 2025, the Foundation for European Progressive Studies (FEPS) in Belgium and the Kalevi Sorsa Foundation in Finland published a study on "tackling tax avoidance - reforming capital income taxation in the EU". Financially supported by the European Parliament, the study aims to contribute to recent discussion on better international tax cooperation and harmonisation of capital income taxation of individuals. It identifies loopholes and asymmetries of national capital income tax regimes in 15 selected European countries, with the objective to discuss how capital income taxation should be harmonised and further developed in the EU. The study describes the role of capital income taxation in the tax system, analyses the current problems of capital income taxation, and presents case studies on the 15 different European tax regimes.

According to the study, most of the 15 European countries surveyed offer significant tax advantages to wealthy individuals. An increasing number of states have also created tax breaks specifically for people who move abroad. At the same time, tax evasion on capital income is increasing significantly because existing bilateral tax treaties are insufficient to effectively protect tax bases. The study presents five essential tax policy recommendations that would tackle capital income tax base erosion and tax avoidance as addressed in the study. Hence, the EU should do the following:

- Adopt a directive establishing a minimum capital income tax rate;
- Adopt an anti-tax avoidance directive (ATAD) for capital income (similar to the current ATAD for corporate income tax), including an exit tax rule for individuals;
- Adopt a directive to tax unrealised capital gains which would avoid that income might never be taxed and which ensures that high-net-worth individuals are effectively taxed;
- Extend the scope the EU Code of Conduct on Business Taxation to include capital income taxation.

Furthermore, the authors of the study recommend that the minimum capital income tax rate be complemented with net wealth taxes on the ultra-rich. Net wealth taxes on high-net-worth individuals would be efficient in tackling wealth concentration and increase the transparency of wealth.

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Published in  
2025, Vol. 20(1) eucrim

ISSN: 1862-6947

<https://eucrim.eu>

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The project is co-financed by the **Union Anti-Fraud Programme (UAFP)**, managed by the **European Anti-Fraud Office (OLAF)**.



**Co-funded by  
the European Union**