EUROCHAMBRES

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EUROCHAMBRES' reaction to the Commission's roadmap on more efficient law-making in taxation

Summary

EUROCHAMBRES believes that the principle of unanimity in the field of taxation should be maintained, as it is there to preserve all EU Member States' interests. A change to qualified voting could lead to countries being voted out where they do not share the same view as other Member States. Considering the sensitivity of this policy area, any compromise achieved as a result of unanimous adoption on tax matters would surely reflect a much fairer outcome catering to the interests of all Member States. We therefore continue supporting full tax sovereignty for Member States and the requirement for unanimous support in Council for the adoption of tax legislation, as is required by the EU Treaty.

Consistency is needed

While further integration to facilitate business environment for growth and investment through the European Single Market is encouraged, one must be careful that other aspects of integration do not benefit some EU Member States at the detriment of others. Several proposals as presented by the European Commission on fiscal matters, particularly in the area of corporate tax, would have negative implications on the future growth of EU Member States as a whole, which is why in the past they were strongly resisted.

On Sovereign Taxation

Tax is by nature a highly controversial topic, which is why the EU Treaties require a unanimous decision by Member States for adoption. The primary purpose of fiscal policy is to collect revenue for national governments, but it is also an instrument to address economic imbalances. For this reason, fiscal policy is used by countries to stimulate growth when they suffer from permanent disadvantages such as size and remote location.

One must also keep in mind that Member States do not only trade with EU countries, but also in wider geographical regions. Tax matters are therefore a competitiveness issue for Member States vis-à-vis third countries. In this context, Member States that are especially vulnerable to exogenous shocks, require full sovereignty on tax matters to have the flexibility to respond to economic developments, such as economic crises. The great asset for small and peripheral countries is the ability to respond and shift position in a timely manner.

Technology and communications in recent decades re-shaped the global economy, revolutionised production processes and created high value services. Businesses are no longer constrained within territories but have spread operations cross-border and online. National fiscal policies are therefore a very important factor on which cross-border operating entrepreneurs decide in which country to set-up a business. It is an undisputable fact that high taxation acts as a deterrent to economic activity and growth.

Losing full sovereignty on tax matters would have immense economic repercussions in case of a shift to qualified majority voting. With the flexibility of fiscal policy being taken away and subsidiarity principle put at risk, one wonders whether these countries that already suffer from permanent disadvantages will remain attractive for companies to establish a presence there. Moreover, the EU would not be in a position to substitute any possible loss of tax revenues caused by this provision nor would it help to maintain a standard of living of citizens, even if a Member State voted against it.

Time to Unite

We should not forget that the Treaties of the EU are the results of delicate and difficult to reach political compromises that have to be carefully taken into consideration when using possibilities already included in the current Treaty. We believe that this delicate balance should not be put at risk particularly in a period when the EU idea is increasingly challenged in a number of Member States with Brexit being a prime example. This period is more a time to unite Europe than a time to open risky debates, which might lead to new divisions and tensions among Member States and stakeholders.

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