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DIE LINKE – Gauche Unitaire Européenne/Nordic Green Left (GUE/NGL)*

Committee on Economic and Monetary Affairs (Member) | Committee on Transport and Tourism (Substitute)  
EU-South Africa Interparliamentary Delegation (Member) | EU-India Interparliamentary Delegation (Substitute)

## TAXE committee: Assessment and future priorities

The European Parliament will vote this week on a first report from its Special committee on tax rulings and other measures similar in nature or effect (TAXE). As TAXE has not yet fulfilled its mandate, a majority of political groups agreed after some political arm wrestling to extend the mandate until May 2016 in order to allow for further investigations. GUE/NGL does not consider the current report *final* and will therefore abstain in this week's vote. We continue to push for thorough action on tax avoidance - in the form of an extended special committee on the current mandate or with a full committee of inquiry.

The current **report** features **several positive elements**, not least by incorporating a large number of GUE/NGL amendments which were developed with tax experts from academia and civil society:

- An accurate assessment of tax avoidance practices and strategies widespread in the EU with severe negative consequences for public budgets and the relative tax burden of labour and SMEs;
- A recognition that austerity had a devastating impact on tax administrations and member states' capacity to combat tax dodging;
- A conclusion that there have been widespread breaches of existing EU law by the EU Commission and Member States, in all areas under investigation (exchange of information, fiscal state aid and sincere and loyal cooperation);
- A call for significant legislative reform of the EU tax system, recognising that the proposals made by the EU Commission and the OECD BEPS initiative will not solve the problem;
- A commitment to more transparency and (limited) public country-by-country reporting as expressed in the compromise on the shareholders' rights directive, including basic information on tax rulings, but, regrettably, without calling for full transparency on tax rulings;
- A push to expedite the crucial consolidation element in the Commission's yet unspecified (C)CCTB proposal;
- A strong call for the protection of whistleblowers and journalists and a framework of sanctions for assistance to tax evasion by tax advisers like the big 4 and banks including the possibility to revoke business licences;

There are however **still serious shortcomings** which we address with our **plenary amendments** that focus on:

- A clear commitment to **extend investigations** on the basis of the current mandate and a final report to be submitted only when the investigations have been fully concluded;

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- The shortcomings of TAXE hearings such as evidenced by the contradictions in statements of Commission President Juncker, for instance with respect to the long-time secret page of the Krecké report<sup>1</sup> which was eventually released due to the investigative work of the GUE/NGL shadow rapporteur;
- The **political responsibility** of member states to prevent serious progress against harmful tax practices such as in cases where well-documented media reports have implicated individuals like Commission President Jean-Claude Juncker or President of the Eurogroup and Dutch Minister of Finance Jeroen Dijsselbloem for actively preventing a response to tax dodging practices in the EU such as in the field of patent boxes, while larger Member States have not protested about this obstruction despite full knowledge of the matter;
- The **obstruction of TAXE's work** by the EU Commission, the Council and EU member states which refused to provide full document access and the **inacceptable conditions of document access** in the Commission reading room and outright refusal to provide relevant material by the Council<sup>2</sup>;
- Technical amendments on the protection of whistleblowers, the interim phase ahead of the introduction of full CCCTB and the need for effective and independent tax authorities to combat tax fraud in EU member states;

For the **next phase of the TAXE committee**, we will focus on the following issues and call for all individuals with knowledge on these matters to reach out and support our and the committee's work:

- Increase pressure for **full access to all relevant Commission and Council documents**:
  - Maximise institutional pressure via the conciliation procedure and re-negotiate the interinstitutional agreement with the Commission to guarantee parliamentary access to information rights;
  - In parallel we are already preparing a **lawsuit at the European Court of Justice** with Professor Andreas Fischer-Lescano (University of Bremen, Head of Centre of European Law and Politics) to gain full access to all relevant Commission and Council documents;
  - Utilise information from Member State documents which we currently analyse via diverse channels;
- Organise more **in-depth hearings** in order to shed light on specific tax avoidance practices and the political responsibility for the collective failure by EU member states to establish a fair tax system:

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<sup>1</sup> The so-called Krecké report has been prepared by then Luxembourg Member of Parliament and later Minister of the Economy, Jeannot Krecké at the demand of then Prime Minister Jean-Claude Juncker in 1997. It set out to examine tax policy in Grand Duchy including the country's ruling practice. The page containing an assessment of tax rulings and the administration's practice in granting them was held secret for 18 years and only released after Juncker made false claims about his knowledge of the page in the TAXE hearing. It shows that the practices which became known through LuxLeaks have been brought to the attention of the Luxembourg government as early as 1997.

<sup>2</sup> Commission room documents for Council fora have been made available, but only under restricted conditions where MEPs get limited consultation time in the reading room and are not allowed to take notes or disclose any information from the consulted documents. In addition, 13 Member States redacted all relevant information for many years. Some of these documents were even provided to outsiders such as researchers at the University of Amsterdam. Meeting minutes have not been made available at all and Commission also withheld a database containing all harmful tax practices in the EU.

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- Re-invite Commission President **Juncker** to clarify all **remaining inconsistencies** from the September TAXE hearing;
- Invite Eurogroup President **Dijsselbloem** over his role as Dutch Minister of Finance as well as other key **public stakeholders** from Member States and EU institutions;
- Provide for more thorough hearings of **specific multinationals** in order to allow for a systematic assessment of their tax practices and the preparation of **comprehensive case studies**. The EP could learn here from international experiences such as the investigations of the US Senate;
- Investigate more closely the role of **financial intermediaries** in tax avoidance practices and hear **letterbox companies** on the concrete relation between economic substance and financial flows.
- Push for **institutional reforms** to allow for more solid oversight and scrutiny by the European Parliament:
  - Increase pressure on the Council to endorse the long overdue regulation on committees of inquiry;
  - Establish a permanent subcommittee of investigations with the resources necessary to probe misconduct and malpractices in tax and other areas, and with competencies to subpoena and establish specific sanctions against non-cooperative multinational corporations;
  - Create a permanent subcommittee on taxation within ECON in order to follow up on the European Parliament's recommendations as expressed in the TAXE and other reports;
  - Change EU law to allow for punitive sanctions with respect to tax dodging and return recovered taxes to the member states affected by profit shifting rather than those having provided a preferential tax treatment as currently the case;
  - Move towards treaty changes to allow for penal sanctions on corporations that engage in aggressive tax planning and the use of tax avoidance strategies instead of tackling tax dodging under the angle of competition law.

### **Attachments**

- GUE/NGL plenary amendments
- Die Linke brochure on tax havens and tax avoidance (in German)

**For more information on the TAXE committee, sign up for our background mailing list at [fabio.demasi@ep.europa.eu](mailto:fabio.demasi@ep.europa.eu) or visit <http://www.fabio-de-masi.de/de/article/518.ep-sonderausschuss-taxe.html> (in German).**

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