

# *European Tax Newsalert*

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## *European Parliament adopts resolutions on combating tax fraud/tax evasion and on the CCCTB*

On April 19, 2012, the European Parliament adopted a resolution to more effectively combat tax fraud and tax evasion. In another resolution adopted on the same day, the Parliament amended and adopted the European Commission's March 2011 proposal for the Common Consolidated Corporate Tax Base ("CCCTB"). The Parliament believes the CCCTB is key to combating tax fraud.

### *Resolution on combating tax fraud/tax evasion*

The resolution's dominant sentiment is that tax fraud and tax evasion costs governments a significant amount of uncollected revenues, undermines citizens' trust in the fairness and legitimacy of tax collection and reduces the funds available for growth-enhancing investments. There is often a lack of publicly available information on tax fraud and tax evasion in each member state.

The Parliament also expressed concerns over aggressive tax competition among member states.

Under the resolution the European Commission should extend the EU Savings Directive's scope and reach an agreement with Switzerland. The resolution also supports progress towards transparency and welcomes the European Commission's proposals on country-by-country reporting.



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To avoid double non-taxation, the Parliament asked the member states to cooperate more closely and also called for a review of the Parent-Subsidiary Directive and the Interests and Royalties Directive in order to eliminate tax evasion through the use of hybrid financial instruments in the European Union. This would likely imply a prohibition on granting the benefits of these directives where double taxation does not exist.

The Parliament also requested that the member states allocate adequate resources to the national services that are empowered to combat tax fraud.

Finally, the Parliament called on member states to review their tax treaties with third countries and called on the European Commission to report on the possibility of changing the tax treaties between member states. The goal of these requests is to make tax avoidance more difficult.

## *Resolution on the CCCTB*

In the resolution on the CCCTB, the Parliament said that the CCCTB should be compulsory, instead of optional, as was suggested in the European Commission's March 2011 proposal.

In the Parliament's view, after a five-year transitional period, in which the CCCTB would only apply to European cooperative societies, it would apply to all companies except small and medium-sized enterprises, for whom the CCCTB would remain optional.

Anticipating that not all member states may wish to participate in the CCCTB scheme, the Parliament suggested that those who do wish to participate should introduce it through the EU's enhanced cooperation procedure.

## *Way forward*

The resolutions will be sent to the European Council and the European Commission, in anticipation of further actions.

This development, along with other recent policy developments in Europe on tax harmonization and state aid matters, could impact US multinationals with European operations.

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