Public Hearing on Tax Transparency
FISC Committee
Thursday, September 9th, 2021

Statement by Michael Jaeger
General Secretary of the Taxpayers Association of Europe

(The spoken word is valid!)

Of course, the Taxpayers Association of Europe rejects any form of tax evasion or tax fraud.

Because taxes not paid by one group must be paid by others.

Tax fairness is essential. However, legal corporate tax arrangements should not be equated with tax evasion or tax misuse, as has recently been the case in the public debate. The legal use of tax law opportunities, nationally and internationally, has nothing to do with "trickery". It is a permitted action by companies to minimize their tax burden.

Companies' pursuit of profit is the primary duty in a market economy. Taxes are then paid on these profits. Companies have the primary duty to use their resources optimally, to generate profits and to minimize costs, which also includes corporate tax.

What is completely forgotten is that taxes deprive companies of liquidity. Taxed profits are either put back into the company or distributed, which creates a tax obligation on another level. Those who do not want this would also have to consistently limit the amount of company expenses/costs, including the wages and salaries of all employees, etc. But this would violate every economic principle, and is strongly rejected by us.

Taxes are also an important location factor, which is completely overlooked in this discussion.

Only at first glance it is about the question of tax transparency for so-called big players, none of whom come from the EU, by the way.

In reality, it is only about ensuring that these non-EU based companies pay taxes in the EU. But for reasons of tax fairness, it does not matter where, but rather that taxes are paid at all.

It is crucial that everyone is treated equally and that there is no national unequal treatment.

A simple look at the published business reports of the big companies also shows their tax payments. Corporates and stock companies are legally obliged to publish their key business data, including profits before and after taxes.

For several reasons we view the European plans to create tax transparency critically. Here, some of our reasons, concerns and demands:

- Direct taxes, including corporate taxes, affect national sovereignty, so interventions by the EU should be avoided as much as possible.
- Tax transparency, or rather, ensuring that companies pay taxes, is primarily a national responsibility and not a responsibility of the EU.
- The EU countries are already obliged to report. Transparency is ensured within the framework of the OECD Industrialized Countries Group.
- In the context of the intended worldwide implementation of a minimum tax rate for companies, separate efforts towards tax transparency are not necessary,because this reform will also have to regulate the future distribution of corporate tax revenues.
- Tax transparency also contradicts the idea of competition, which includes tax competition. Because low-tax countries, such as Bulgaria, Cyprus, Ireland or Malta, are now forced to increase their tax rates, they lose their locational advantage, their attractiveness for investors and in consequence their tax revenue. They will request that their revenue loses have to be compensated by the EU. This would lead to a European financial equalization fund, which we oppose.
- Company information obtained in the context of tax transparency must be treated confidentially and should only be used internally. In our opinion, there is no need to publish it in a public register, which can be accessed by anyone. Only tax administrations of the countries concerned and the respective EU bodies should have access and exchange the data exclusively at internal level. Otherwise, the affected companies face massive competitive disadvantages. Competitors could use their now public data and draw conclusions about cost structures, pricing policies and profit margins.
- Bureaucratic costs and work are to be avoided and reduced to a minimum.
- Information gained by possible tax transparency must always be questioned neutrally. Why is a company suddenly paying less taxes? There can be various plausible economic reasons, such as increased spending on R&D, investments, slump in sales, product changes, etc. Even a change of location does not primarily take place for reasons of tax optimization.
- Large non-European global players that one would like to cover with the planned measures make up only a small part of companies.
  It is foreseeable that countries like the USA and China will then demand full tax transparency from EU companies too.
- The EU must ensure that the intended tax transparency rules for large companies are not applied to for small and medium-sized enterprises (SME). We fear that the long run this will not be possible. This would mean additional costs for SMEs.
- We demand that the EU Commission provides a comprehensive and transparent legal impact assessment for planned measures.

I want to end with a short comment on the idea of an EU asset register:

For us, this represents a massive attack on market economy and freedom. We run the risk of creating not only the “transparent company”, but also the “transparent taxpayer”. This plan by the EU Commission to examine the feasibility of such an EU asset register is, in our opinion, an expression of deep mistrust in tax compliance, even if reasons such as combating tax evasion, money laundering or terrorism are cited.

But the real answer would be so easy: Simple tax systems with low rates and few exemptions, instead of always more complicated and bureaucratic requirements. This would set entrepreneurial incentives and lead to growth and more prosperity for all.

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