

FEE Tax Day

Summary of Discussions

29 April 2015, Brussels

TAX POLICY: A MATTER FOR SOCIETY AS A WHOLE

#FEETaxday



Federation of European Accountants
Fédération des Experts comptables Européens

On 29 April, FEE held its 4th Tax Day in Brussels. 180 policy makers, business leaders and tax experts from Europe and, further afield, attended the event, to discuss the role of all members of society in creating a more efficient tax system in the future.

Key themes of the discussion included:

1

The success of the OECD's BEPS project to date and the challenges of ensuring effective implementation of the BEPS actions.

2

The future role of tax transparency. Discussions highlighted increased public demand for information on corporate taxation, but also the need to ensure transparency requirements are carefully calibrated.

3

The important role to be played by both tax advisors and businesses themselves in improving communication on these issues.

4

Defining what could be classed as 'fair' taxation, in particular whether it is possible to implement a concept of 'fairness' that goes further than simply abiding by the law.

5

The role of policy makers and Member States in creating a more robust and efficient regulatory framework through closer cooperation on key issues.

The event was opened by **FEE President Petr Kriz**, who set the scene and explained the role of European accountants in the tax debate; and **Joost van Iersel, President of the Economic section of the EESC** who highlighted that fairness is a key concern for civil society.

KEY NOTE INTRODUCTIONS



Pascal Saint-Amans
Director of the Centre for Tax
Policy and Administration
OECD

Pascal Saint-Amans, discussed the potential impact of the BEPS project on tax systems in 2 or 3 years' time. The progress made by the OECD and its members will mean that many of the current avoidance systems will not be possible in the future.

He also warned of the dangers of countries taking unilateral, uncoordinated measures without waiting for the BEPS project to be completed as this could lead to double taxation or double non taxation – the opposite of the objectives of the OECD's work.



Gert Jan Koopman
Deputy Director General -
State Aid, DG Competition
European Commission

Gert Jan Koopman provided an overview of the role of State Aid legislation in combatting unfair tax practices. This has become an essential tool for the Commission in recent years, but the first cases in fact date back many years.

Mr Koopman explained the criteria and process for assessing whether a measure constitutes state aid and the interaction between this and other policy based initiatives.

Mr Koopman also explained specific issues around transfer pricing and the arm's length principle, and what is considered to be market information.

The Commission is currently carrying out an in-depth investigation into the use of tax rulings by all Member States. They hope to conclude the investigation by summer next year.

PANEL 1 – THE IMPACT OF CURRENT POLICY INITIATIVES IN THE REAL WORLD.



Martin Kreienbaum
German Ministry of
Finance

Martin Kreienbaum expressed his support for the BEPS project, without losing sight of the need for competitiveness and support for businesses, saying "Tax competition is good but cannot be unlimited".

Reiterating Pascal Saint Aman's position, Martin Kreienbaum said that he would like to see coordinated action by OECD members, and wants to avoid unilateral national measures. He acknowledged that countries are free to act unilaterally, but should not undermine coordinated action in doing so.



Charlotte Redcliffe
Head of Tax at Centrica plc

Charlotte Redcliffe emphasised the complex relationship between businesses and their stakeholders and the dual role played by some stakeholders.

She explained that those who work in tax understand the public's unhappiness, but it is a complex world and they have to apply the rules as they are written. Although companies need to communicate better and explain the basis of the tax paid, transparency is not the only answer. She sees a risk that the compliant will become even more compliant, whereas those who are not compliant will continue on their way.



Dag Wyntin
Group Tax Manager
KBC Group

Dag Wyntin emphasized the importance of considering taxation within the broader context of the reams of regulation affecting businesses. While there are definitely gaps in legislation there is no coherent approach to addressing them. It is crucial for him that transparency requirements for taxation are properly calibrated to ensure they are in line with existing accounting and reporting requirements.

He also emphasized the need for certainty for businesses, including with regards to VAT. The regulatory environment is constantly changing, making it hard for businesses to plan to meet the requirements.



Lucie Watrinet
Financing for Development
Advocacy Officer
CCFD-Terre Solidaire

Lucie Watrinet called for greater transparency in corporate taxation, as this is crucial to tackling avoidance at a low cost. She warned that the country by country reporting requirements in BEPS do not go far enough as it will not require public disclosure of the information.

She believes that public disclosure is an important deterrent; there is a genuine desire from the public to see this information; and it will give third countries' tax authorities access to the information.



Dr. Gabriele Rautenstrauch
Senior Manager
International Tax, KPMG

Gabi Rautenstrauch focused her comments on the impact on tax advice and presented a forward looking perspective. She explained the difficulties of operating in a complex regulatory environment and assessing which legal provisions are applicable.

Avoiding double taxation and double non-taxation is important and tax advisors have a key role to play in this. Coordination of tax requirements would provide certainty to businesses, but it is not clear how far this can be achieved.

PANEL 2 – THE TENSION BETWEEN COOPERATION AND COMPETITION



Pierre Gramegna
Minister of Finance
Luxembourg

Mr Gramegna set out the progressive steps Luxembourg has taken recently towards greater transparency, including ending the long tradition of bank secrecy, agreeing to key pieces of EU legislation on taxation and their commitment to the global forum recommendations.

Cooperation is key to creating a tax system that reflects how things have changed in the world of taxation. It is essential that everybody pays their fair share of taxes. In response to budgetary issues, individuals have been asked to pay higher taxes. Mr Gramegna recognised the concern that multinationals are not also paying their share.



Ingrid Rensema
Vice President Group Tax
ABN AMRO Group

Ingrid Rensema discussed the role that banks already play in ensuring compliance with certain regulations (eg. Anti-money laundering requirements) and questioned whether they will soon be required to do the same for tax. If they are required to check that a ‘fair’ share of tax is paid, there will need to be a clearer definition of what ‘fair’ is. For her, it is not clear whether ‘fair’ simply means abiding by the law. If it does not, then where do we draw the line? Anything more than simply abiding by the law requires judgement and that is difficult for businesses.



Joseph Stead
Senior Economic Justice Adviser
Christian Aid

Joseph Stead pointed out the importance of including developing countries in this debate. A fair tax system will also have to include them, but we have to be realistic about their administrative capacity and look at ways to build the capacity of their tax authorities.

He pointed out that it is important that we directly address the tension inherent in creating fairer taxation in order to ensure we hear all the relevant voices. Although the subject matter is technical, he argued, we should be careful not to dismiss arguments just because we can’t find a technical solution.



Petru Sorin Dandea
EESC Rapporteur of Tax
Avoidance and Tax Evasion

Petru Dandea explained the role and purpose of the EESC as an open eye on the political process. He expressed a clear desire for better defined legislation in this area to ensure a fairer system.

Mr Dandea feels that basing taxation on economic activity is an important principle - Circular operations can be based on a sound economic reason but are not always. He welcomed the Commission proposal on the exchange of information on rulings, as an important first step in this regard. Transparency is also important and the EU needs to find an effective way of gathering and managing more information on the tax paid by corporations.



Michael Izza
CEO, ICAEW

Michael Izza explained the role of the accountancy profession in three key areas: ethics, reform and capacity. There is an ethical dimension to tax advice. He suggested a ‘smell test’ whereby tax arrangements which do not feel right should not be entered into, as tax paid needs to reflect the economic activity of a company. He suggested that policy makers and the accountancy profession have to embrace reform of the system. Accountants need to look at more ways to identify and

reprimand those who give unethical advice, but there is a broader issue of tax advice given by other professionals, who are not chartered accountants.

For him, building the capacity of tax administrations is crucial to ensuring a more efficient system. ICAEW have extensive programmes in Africa dedicated to this, but greater commitment from other parties was also identified as crucial.



Pierre Moscovici
Commissioner for Taxation
and Customs Union

The closing address by Commissioner Moscovici addressed ‘the way forward’ and his expectation that the EU can achieve a lot of progress on this issue in the next few years. His aim is to implement an agenda focused on fairness, transparency and a truly single market from a taxation point of view.

The Commission proposal on tax rulings is a first step in achieving greater transparency, but more will have to be done.

He explained that the Commission has already achieved some measures to increase coordination between member states, but the line between positive and harmful tax competition has shifted and society will demand more work in this area.

In addition to these previous measures, the Commission has shifted focus and will also begin analysis of those features of national tax

systems which contribute to aggressive tax planning. This is the central aim of the Action Plan on Taxation to be published this summer.

The full text of the Commissioner’s speech is [available here](#).



FEE CEO, Olivier Boutellis-Taft, closed the discussion stressing that tax policy is a matter for society as a whole and all stakeholders have a role to play in finding solutions to the issues raised during discussions.



FEE WHO WE ARE

FEE represents 47 professional institutes of accountants and auditors from 36 European countries, including all of the 28 EU member states.

In representing the European accountancy profession, FEE recognises the public interest. It has a combined membership of more than 800,000 professional accountants, working in different capacities in public practice, small and big firms, government and education, who all contribute to a more efficient, transparent and sustainable European economy.

FEE is in the EU Transparency Register (No 4713568401-18).



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