

## FEE TAX DAY

Simple, fair, coordinated – tax Utopia in the EU?

Thursday, 1 October 2009

Summary

### Opening and welcome

---



Hans van Damme, FEE President

FEE President Hans van Damme opened the FEE Tax Day commenting on the significance of tax on the agenda of EU Ministers and World Leaders and on the relevance of tax for the society and for everyone, from present to future generations.

He reminded that tax is important to the accountancy profession as tax practice represents one of the main shares of the profession's activity in many of the 32 European countries in which FEE has a member.

Thanks to the two very active FEE Tax Working Parties, tax has also definitely grown in importance and respect within FEE.

## Keynote address (video): The future of EU tax policy

---



László Kovács,

European Commissioner for Taxation and Customs (video)

The European Commissioner for Taxation and Customs, László Kovács, pointed out that after the small signs of economic recovery that currently emerge, serious efforts will be needed for fiscal consolidation, where it is likely that an increase in tax revenue cannot be avoided.

He emphasized that careful supervision at EU level is required to keep an eye on the compatibility of new measures with enabling structural changes and economic growth, while avoiding creating new tax obstacles to the single market.

After highlighting some of the achievements during his Commission that were designed to reduce burdens on business, support SMEs and help Member States to tackle to fraud, he called on the next Commission to decide upon a common EU wide set of rules for company tax purposes to reduce compliance cost and administrative burden for businesses. As further priority for the next Commission he suggested to follow the need for a more robust internal market framework for environmental taxes to foster green economic recovery.



He concluded that we have to target ambitious long term goals aiming for fairness, simplicity and coordination. We need to work for sustainable growth, social cohesion and environmental protection and we have to ensure that Member States can finance social, economic and environmental policies.

## Session 1: Taxpayers and taxplayers – all together in the same fiscal arena



Michael Niehues, Roelof Hoving, Chris Tailby, Professor Luc de Broe, Chas Roy-Chowdhury (from left to right)

Chas Roy-Chowdhury, member of both FEE Tax Working Parties, set the scene for the session with remarks on fair tax and how to get there (see also the ACCA discussion paper "Perspectives on Fair Tax" [http://australia.accaglobal.com/pubs/australia/publicinterest/research/fair\\_tax.pdf](http://australia.accaglobal.com/pubs/australia/publicinterest/research/fair_tax.pdf)).

Professor Luc de Broe from the University of Leuven, Belgium, introduced tax planning and the fine line between tax avoidance and tax evasion. He drew attention to inconsistencies in ECJ case law in this regard and made suggestions for possible future solutions.

Chris Tailby, ex Director of the Anti-Avoidance Group for HM Revenue & Customs, UK, explained the developments and experiences in the UK from enhanced cooperation to tax partnership from the tax administration perspective. He investigated the role of accountants in the tripartite relationship and outlined possible future developments.

Roelof Hoving, Vice President Administration and Financial Services of Staples International, Netherlands, contributed the business perspective on the subject, explaining the developments and experiences from suspicious relationship to tax partnership in the Netherlands. He analysed and communicated the wishes and expectations of businesses, pointing out that trust is key and that tax partnership has to work both ways.

Michael Niehues, Chair of the FEE Ethics Working Party, gave an overview on risk management and professional ethics and highlighted new challenges for the profession in this regard deriving from the evolving tripartite relationship.

## Political lunch debate

---



Olivier Boutellis-Taft, Stephen Bill, Professor Johanna Hey (from left to right)

Stephen Bill, Head of Cabinet of Commissioner László Kovács, Professor Johanna Hey from the University Cologne, Germany, and the FEE CEO Olivier Boutellis-Taft had a lively political debate about the role of tax policy at national and EU level in the globalised economy of the 21<sup>st</sup> century.

They exchanged views whether it is possible to have a tax regime which is both simple and fair, discussed if tax competition is always harmful and suggested priorities for the new European Parliament and the next European Commission.

## Session 2: Indirect Tax: Can it be fair and simple?

---

The theme of the afternoon session opened by Stephen Dale, Chair of the FEE Indirect Tax Working Party, was whether Indirect Tax can be "fair and simple". He pointed out that by establishing closer working between tax authorities and businesses there was a real opportunity to make Indirect Taxes - essentially VAT - in the EU much fairer and simpler.

This need to work more closely between tax authorities and tax payers was picked up by Chris Needham, European VAT Director of General Electric, UK, by rephrasing the question into:



Stephen Dale (left), Chris Needham

Is VAT being "fairly" administered? He provided several examples where businesses doubt that the implementation of EU legislation into Member States' domestic law and the behaviour of tax administrations can be perceived as being fair. Chris suggested that the EC take up infringement cases against Member states who were acting in a clearly disproportionate manner.

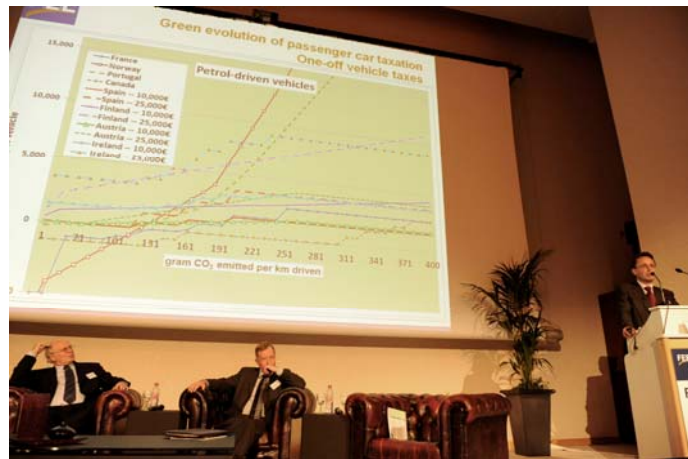
Paul Farmer, Head of the EU Law Practice of Dorsey & Whitney, UK, analysed the increasing influence of the ECJ on Indirect Tax Policy pointing out that the real solution to making Indirect tax "fair and simple" has to come from the legislator, although clearly the harmonising effect of



the Court's decisions makes it far easier for business to operate more freely across borders.

David Holmes, Head of the Consumption Taxes Unit at the OECD explained the concept of the OECD's International VAT/GST Guidelines in pursuing the objectives of making Indirect Tax and VAT in particular simpler, fairer and more coordinated globally, whether in defining guidelines to enable VAT to be recovered on cross border transactions, or in ensuring that services are taxed only once globally.

David debated whether there was a need for OECD Guidelines for a "double VAT Treaty" and the need to involve Third countries in any debates. Johan van der Paal, Partner Tax at Deloitte Belgium showed the variety of indirect "green" taxes across Europe and concluded that harmonisation at EU level must be the right way forward for governments and businesses and that "green taxes" would represent some 20% of total tax revenues by 2020 of the OECD countries.



Paul Farmer, David Holmes, Johan van der Paal (from left to right)

### Session 3: Direct Tax: Does Europe need a common corporate tax?



Stefano Marchese, Jean-Marie Cougnon, Professor Christoph Spengel, Krister Andersson, Friedrich Rödler (from left to right)

Stefano Marchese, FEE Vice-President and Chair of the FEE Direct Tax Working Party introduced the theme of the second afternoon session asking whether Europe needs a common corporate tax.

Krister Andersson, Chair of the Fiscal Committee at BUSINESSEUROPE described business' problems with the current system and possible impacts and benefits of a coordinated approach with a European common corporate tax. He reasoned that the corporate tax system is broke and it is time to fix it.

Professor Christoph Spengel from the University of Mannheim, Germany, gave an academic evaluation of company taxation in Europe. After outlining principles, advantages and implementation issues of a common consolidated corporate tax base (CCCTB), he recommended to start with the harmonisation of tax accounting rules (CCTB).

Jean-Marie Cougnon, Deputy-Chair of the FEE Direct Tax Working Party analysed whether recent ECJ judgments have contributed to a more similar treatment of taxpayers across Member States and thus could have lead to tax coordination based on ECJ case law.

Friedrich Rödler, member of the FEE Direct Tax Working Party, referred to the major challenges for the single market in the current crisis. He concluded that taxation needs to be reformed in Europe and that avoiding double taxation must be the primary goal of any tax reform in Europe.

## Wrap-up and conclusions plus Reactions of the European Commission



Philip Kermode (left), Stefano Marchese

After a summary by Stefano Marchese of the issues raised during the FEE Tax Day, Philip Kermode, Director for Analyses and Tax Policies at the European Commission, provided some reactions of the European Commission. He pointed out that the European Commission can only make proposals and expressed hope that Member States may realise the need for more cooperation.





**About FEE**

FEE (Fédération des Experts comptables Européens – Federation of European Accountants) represents 43 professional institutes of accountants and auditors from 32 European countries, including all 27 EU Member States.

In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, business, government and education, who all contribute to a more efficient, transparent, and sustainable European economy. To learn more about FEE and about the accountancy profession in Europe, read the FEE 2008 Annual Review, downloadable from our website ([www.fee.be](http://www.fee.be)).