

Fairer taxation strengthens social justice

*Statement of Justice and Peace Europe
on recent decisions of the Council of the European Union*

In recent months and years, media leaks have revealed the shocking extent of systematic tax fraud and aggressive tax avoidance. Tax havens and loopholes in the legislation of many countries are at the origin of this scandal which has the potential to undermine democracy. In particular, multinational companies and very rich individuals have profited from this situation. In a period of growing income inequalities taxation must become fairer. That everybody and every company pays its fair share of taxes must be a key policy goal. In this respect, the OECD “Base Erosion and Profit Shifting Project” (BEPS) and its transposition into national law are pivotal. In line with the BEPS project, the European Commission has taken the lead within the European Union (EU) and currently pursues an ambitious agenda. Although taxation matters require unanimity among member states some progress has been made and recent decisions in the Council of the EU have been encouraging.

Thus, on 25 May 2016 the EcoFin Council approved a proposal by the European Commission that obliges multinational companies, whose revenues are higher than 750 million euros, to report to national tax authorities information about their economic activities and taxes paid on a country-by-country basis. The collected information shall then be exchanged automatically among states. Through this provision the European Union complies with a key element of the BEPS project. *Justice and Peace Europe* welcomes this important step in view of obstructing tax avoidance strategies by very big companies.

Unfortunately, the ministers for finance could not yet agree on the “tax avoidance” directive, which was proposed last January and would oblige member states to give up at least some of the most blatant tax avoidance instruments in their legislation. Given the short time frame – usually tax matters in the EU take years of negotiations and not months – and given the great complexity of the matter, the final adoption of this directive had to be postponed to the next EcoFin Council on 17 June 2016. *Justice and Peace Europe* supports the efforts of the Dutch presidency and calls on all EU member states to agree on a substantial compromise.

Justice and Peace Europe also welcomes a proposal made by the European Commission to extend the obligation for multinationals to report taxes paid on a country-by-country basis not only within the European Union but also with respect to tax havens outside the EU. This implies to establish a common EU list of tax havens. *Justice and Peace Europe* salutes the decision of the EcoFin Council taken on 25 May last to start the work on an “EU list of non-cooperative jurisdictions” in September and hopes for a swift conclusion.

Finally, at the beginning of next year, member states shall start the automatic exchange of information of their special tax agreements with multinational companies, the so-called tax-rulings. *Justice and Peace Europe* puts its trust in the European Commission to

make sure that all member states will fully comply with this legal obligation and not to hesitate in initiating infringement procedures if necessary.

Pope Francis, who has repeatedly expressed his concerns about growing economic inequality, recently presented his vision of Europe. He challenged us to strive for a European integration “*that finds in solidarity a way of acting, a means of making history*”. He stressed that “*solidarity should never be confused with charitable assistance, but understood as a means of creating opportunities for all the inhabitants of our cities – and of so many other cities – to live with dignity*”¹. In this respect, fairer taxation, especially of multinational companies and very rich individuals, can help creating opportunities, paying educational and social services and reducing the burden put on less wealthy taxpayers. Fairer taxation strengthens social justice. Therefore, *Justice and Peace Europe* values all efforts at the global, European and national level to eliminate the scandal of tax evasion and to abolish morally questionable practices of tax avoidance.

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The Executive Committee of the Conference of European Justice and Peace Commissions

The Conference of European Justice and Peace Commissions (*Justice and Peace Europe*) is a European network of 31 national Justice and Peace Commissions, working for the promotion of justice, peace and respect for human dignity. It contributes to raising awareness of the Catholic social doctrine in the European societies and the European institutions. Each year, *Justice and Peace Europe* launches a Concerted Action. This year it is dedicated to the theme of “*Growing Economic Inequality and Taxation – A Challenge for Europe and the World*”.

The Executive Committee of *Justice and Peace Europe* is composed of 9 elected members and its President is Mgr. Jean-Claude Hollerich, Archbishop of Luxembourg.

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¹ Address of Pope Francis at the occasion of the conferral of the Charlemagne Prize on 6 May 2016 in Rome, http://w2.vatican.va/content/francesco/en/speeches/2016/may/documents/papa-francesco_20160506_premio-carlo-magno.html.