

## ROADMAP

Roadmaps aim to inform citizens and stakeholders about the Commission's work in order to allow them to provide feedback and to participate effectively in future consultation activities. Citizens and stakeholders are in particular invited to provide views on the Commission's understanding of the problem and possible solutions and to make available any relevant information that they may have.

<b>TITLE OF THE INITIATIVE</b>	Action Plan to fight tax evasion and make taxation simple and easy
<b>LEAD DG – RESPONSIBLE UNIT</b>	DG Taxation and Customs Union, Units C4 – Tax administration and Fight against tax fraud; D1 - Company Taxation Initiatives; D2 – Direct Tax policy and Cooperation; D4 – Economic Analysis, Impact Assessment and Evaluation
<b>LIKELY TYPE OF INITIATIVE</b>	Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee
<b>INDICATIVE PLANNING</b>	Q2 2020
<b>ADDITIONAL INFORMATION</b>	-

This Roadmap is provided for information purposes only and its content might change. It does not prejudge the final decision of the Commission on whether this initiative will be pursued or on its final content. All elements of the initiative described by the Roadmap, including its timing, are subject to change.

### A. Context, Problem definition and Subsidiarity Check

**Context** [max 10 lines]

The global vision of the von der Leyen Commission is “A Union that strives for more” while one of its six ambitions for Europe is “An economy that works for people”. This means allowing our economies to grow while ensuring that social fairness and welfare come first. In terms of Union tax policy, this notably translates into fair taxation where everybody pays their fair share, as stressed by President von der Leyen in the political guidelines for the European Commission. To achieve that, it is necessary to step up the fight against fraud, as well as to simplify tax rules for entrepreneurs who create jobs, invest and innovate and then foster the economic growth. Taxation should also adapt and take advantage of technological developments to ensure more effective and easier collection of taxes. Smart tax policies can help the Union getting there.

The purpose of the Action Plan is namely to propose some key initiatives to tackle tax evasion, to simplify the tax system to make compliance easier. It will also launch the External Strategy on tax good governance 2020. A first package of legislative proposals is expected to be tabled in June 2020, at the same time as the Action Plan.

**Problem the initiative aims to tackle** [max 25 lines]

Tax fraud and evasion means money lost which could be used to pay for pensions, childcare, health care, education, etc. The amount of money lost is huge and amount to tens of billions of euro. 74% of Europeans demand more action at EU level to fight tax evasion.

In the past years, the EU has focused its efforts on tackling tax evasion and boosting transparency. Tax authorities have now a broader set of cooperation tools to detect and tackle all forms of evasion.

However, more can be done. Tax authorities have limited expertise and scarce resources at national level to exploit the massive amounts of new data collected through the new measures. The digital economy and the development of new business models and economic patterns linked to the internet are new challenges for tax administrations that have to adapt to such changes. However, this developing digital economy also creates unprecedented opportunities for ensuring better tax compliance thanks to the data collected by digital platforms. Further action is therefore needed at EU level to reinforce the fight against evasion and help tax administrations to better collect their taxes and keep pace with new challenges. In doing so, it is important to avoid imposing undue burdens on honest people and compliant businesses in the fight against a minority of fraudsters.

In addition, it still remains too burdensome for business to operate within the Single Market with its 27 different sets of tax rules. There is room for simplification. Therefore, action is also needed at EU level to have a simpler and more modern tax environment that would help compliant businesses to reap the benefits of the Single Market and therefore sustain the Union economic growth.

**Basis for EU intervention (legal basis and subsidiarity check)** [max 10 lines]

EU tax policy is based essentially on two Articles in Treaty on the functioning of the European Union (TFEU): Article 113 in the field of VAT and other indirect taxes and 115 in the case of direct taxation.

Regarding subsidiarity, Member States face challenges due to tax evasion and can unilaterally act against it. However, there are inherent limitations to the effectiveness of unilateral actions against cross-border tax evasion and there is added value in pursuing a common EU approach with Member States' tax authorities sharing tax information and acting together. EU intervention is also required to avoid having different and divergent approaches at national level as they are already emerging, that would be detrimental to businesses engaged in cross-border activities within the Single Market. The same applies to measures for paying taxes simpler in the Single Market.

## **B. What does the initiative aim to achieve and how [max 25 lines]**

The purpose of the initiative is to set out the actions to be taken in the years to come to (1) combat tax evasion and (2) make dealing with taxes across borders simpler and fair. This initiative will present the External Strategy on tax good governance 2020 as well (3).

(1) Concrete steps against tax evasion could include: extending and strengthening existing cooperation tools amongst tax and customs administrations at Union level such as Eurofisc; introducing new digital tools and solutions to, in particular, improve analysis capacities of tax authorities and switch from the exchange of information to a model where tax data can be shared in real time; the provision of tax data from digital platforms to tax authorities, improving cross-border tax recovery and new cooperation agreements with third countries in particular to fight tax fraud in e-commerce.

(2) When it comes to tackling tax barriers that cross-border businesses and taxpayers face, concrete steps could include: mechanisms to prevent and solve cross-border tax disputes to enhance tax certainty in both direct and indirect taxation; simplification and modernisation of tax rules in the Single Market, in particular VAT rules, but also procedures for withholding taxes on investment across borders; enhancing dialogue with taxpayers in the preparation of future legislation and providing more assistance on understanding EU tax rules and taxpayers rights; encouraging cooperative compliance; exploring digital solutions to levy taxes at source in real time; reinforcing the EU positioning with third countries in the interest of EU citizens, business and Member States by speaking with one voice at international level.

(3) The Action Plan package will include a distinct element on the External Strategy on tax good governance 2020 as well. The External Strategy 2020 will take stock of the progress made since the original Strategy was published in 2016 and highlight the achievements of each initiative that was proposed. It should outline new and foreseen developments in EU and international taxation, which could impact our external agenda, and consider the appropriate next steps in this light. The External Strategy 2020 should act as a curtain-raiser for certain new initiatives over the coming years (e.g. defensive measures, technical assistance to developing countries or agreements with third countries). In addition, as the Commission launches its new political agenda within the EU, it is important to send a signal to third countries that the EU's external tax agenda remains a priority too.

In addition to communicating about future plans, there is a urgency to step up the fight against tax evasion in particular to keep pace with international developments in this field. This is why the Communication will be accompanied by:

- a proposal for a Council Directive amending Directive 2011/16/EU as regards measures to strengthen the exchange of information framework in the field of taxation. It will in particular enable a flow of data from digital platforms to tax authorities.
- a Recommendation for a Council Decision to authorize the Commission to open negotiations for an agreement between the EU and a major economic player on administrative cooperation, combating fraud, in particular in e-commerce, and recovery of claims in the field of VAT.

## **C. Better regulation**

### **Consultation of citizens and stakeholders [max 10 lines]**

It is essential to guarantee the consultation and involvement of all relevant stakeholders.

A large, high-level, inclusive conference on the tax challenges in the digital era in April 2020 will serve as an opportunity for a further exchange of views with stakeholders on the initiatives. Moreover, the Commission will consult Member States' tax authorities.

To ensure the voice of citizens and stakeholders is heard, there will be wide and online public consultations for the follow-up actions.

### **Evidence base and data collection [max 10 lines]**

The Communication will set out the general policy approach. An impact assessment will be carried out for the follow-up actions for which it is required. The initiatives will be grounded on the best available evidence, building upon the extensive work of data collection and analysis conducted by the Commission and international partners, complemented by further analysis.