CESI EUROPE ACADEMY

SYNTHESIS

BRUSSELS
9-10 OCTOBER 2014

TAXATION IN EUROPE: TAX AUTHORITIES AT THE HEART OF THE CRISIS

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CESI AND CESI-EUROPE ACADEMY

The European Confederation of Independent Trade Unions (CESI) defends the interests of over 5 million workers towards the European institutions and represents 41 trade unions in 28 EU and accession states. Since 2005, CESI has been a recognised European social partner and, in this capacity, is regularly consulted within the framework of social dialogue at European level.

The CESI Europe Academy is CESI's training centre. Through symposia on EU topics, the Academy provide its members with the possibility of delving deeper into current social and political issues in Europe and engaging them in debates with policy-makers and international experts.

Among the topics of past projects we cite a common area of freedom, security and justice; the recruitment and retention of public sector employees in Europe; transnational administrative cooperation in Europe; high-quality public services; the role of public service in the integration of migrants in the EU; the promotion of diversity within the public service in Europe; the mobility of health workers within the EU; lifelong learning; health and prevention at workplace; the conciliation between professional and private life, flexicurity.

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MESSAGE FROM THE PRESIDENT OF CESI-EUROPE ACADEMY ON THE OCCASION OF THE BRUSSELS SYMPOSIUM

On behalf of the board of CESI-Europe Academy, I am delighted to welcome you to Brussels on the occasion of the symposium 'Taxation in Europe:Tax administrations at the heart of the crisis'.

Tax administrations deal with the burning issues of the day. Not only has the European Commission set itself the task of getting to grips with tax fraud and tax avoidance within its own territory, the G20 States have also made it their priority at international level.

The economic and financial crisis has raised many questions regarding taxation policies, in particular the way in which they can help contribute towards promoting employment and growth in the Member States. It also gives rise to debates on how to coordinate taxation policy and how it can be applied in the context of a single currency.

Taxation is of great interest given that the permanence of public action is based upon it. And yet tax fraud and tax avoidance hamper the States in their efforts to generate revenue and carry out their economic policies. In these times of tight budgetary constraints, the fight against tax fraud and tax avoidance are becoming essential. Each year at European level, they amount to a thousand billion euros, the equivalent of the health expenditure of all of the Member States or 2000€for every inhabitant of the European Union. How can European Union workers accept a higher level of taxation on work or consumption when any tax policy worth its stripes ought to be concentrating on collecting what it is owed?

The national, European and global agendas on tax policy are ambitious: national tax reforms, transnational administrative cooperation, automatic information exchange, new international rules established by the OECD which was given a mandate by the G20 to fight against double non-taxation, etc.

At the heart of the many tax reforms which are underway and those which are to come, are the tax administrations, whose staff is currently itself a 'victim' of the crisis and budgetary constraints.

In the long run, will the Member States really have the means to realise their ambitions? What human and financial means will be offered to tax administration employees? What training will they benefit from?

These are the questions which this symposium will endeavour to answer, with experts and practitioners shedding more light on the matter. I would like, at this juncture, to thank the representatives of our Belgian affiliate UNSP-NUOD as well as the Union of Finance Personnel in Europe for their active support in preparing this project.

With this support in mind, CESI feels we cannot think about the future of tax policies without simultaneously pondering what this will mean for the employees called upon to implement such policies.

I wish everyone an interesting symposium!

Emilio FATOVIC, President of CESI-Europe Academy

SYNTHESIS

▶ *EMILIO FATOVIC*
President of the CESI Europe Academy

Tax administrations at the heart of the fight against tax fraud
Emilio Fatovic opened the seminar and immediately reminded the participants of the fundamental role played by tax administrations in the fight against tax fraud. They need a high number of human resources who are qualified and undergo ongoing training about increasingly complex tax legislation. Tax administrations do not only require both human and financial capital but also tools, namely for improved cooperation between the various countries' tax administrations. Indeed, tax fraud and evasion are not new phenomena: they are just as old as taxes themselves. However, they have become better organised, structured and sophisticated over the past decades. They also attract greater attention today, because of the difficult situation in which public finances currently find themselves and the efforts required from all citizens across all European countries. Since 2008 and the onset of the crisis, all the states have been under unprecedented budgetary pressure. They all strive to collect their outstanding dues and they are having great difficulty in doing so.
The European social model and the sustainability of public services are at stake. It is important to defend this social model, while striving to prevent an increase in the tax burden for physical persons and households at the same time. Since 2009, the tax burden on labour and on consumption has been on the increase, which has a direct, twofold impact on salaried workers. CESI has already had the opportunity to advocate in defence of better tax fairness by means of a resolution.

Tax fraud can be committed by both physical persons (cf. "Offshore Leaks") and by corporations. The line between legal and illegal behaviour is becoming increasingly blurred, and some know exactly how to take advantage of the gaps in legislation. Some multinationals take tax optimisation to an extreme, by taking advantage of international agreements that were initially designed to prevent double taxation. These companies manage to avoid paying taxes at all thanks to such schemes. Major players in the digital economy (e.g. Google, Amazon, Microsoft, Apple and Facebook) are very creative when it comes to avoiding paying their fair share of taxes. The digitalisation of the traditional economy makes the newly-created services even less tangible than before, which makes it difficult to determine the place and country of taxation – with no mention of the famous GAFAMs.

October 2014: a key moment in the fight against tax fraud
In the era of globalisation, only global solutions can be applied to this problem. Emilio Fatovic reminds the participants that October 2014 was an interesting time in this context, on the account of the OECD's report on the BEPS Action Plan and the establishment of the new European Commission.
But still a great deal remains to be done: the Europe of tax competition is no joke and European efforts to fight against tax fraud and evasion must be stepped up. Of course, this will depend to a large extent on political goodwill and the interest of the media. On the other hand, however, it requires the mobilisation of all the players and trade unions too. Thanks to its expertise and the diverse nature of its affiliates, CESI is once again committing to this long-term aim. In 2013, it joined the European Platform for Tax Good Governance.
CESI actively takes part in the debates on fiscal policies because it believes that it is necessary not to dissociate the future of tax policies from those of the employees who are in charge of ensuring they are implemented. In order to move from words to action, the member states will require strong, efficient tax administrations.

▶ *VALÈRE MOUTARLIER*
Principal Adviser in the DG TAXUD, European Commission

Mr. Moutarlier gave an overview of the outcomes of the second Barroso Commission, in terms of tax issues and the new challenges faced by the new Commission.
The crisis means that the fight against tax fraud is a top priority and the Commission is pursuing two aims:
- taxation must be part of the strategy to overcome the crisis and to take full advantage of the Single Market;
- guaranteeing tax justice and fairness.

Taxation as part of the strategy to overcome the crisis
In terms of methods, despite the unanimity rule that applies to tax matters, the Commission has been innovative and has searched for new approaches (strengthened cooperation, recommendations on tax matters within the framework of the European Semester, Platform for Tax Good Governance).

The Commission wants to regulate tax competition. Mr. Moutarlier is of the opinion that because it is impossible to fully ban tax competition, the aim should be to create acceptable conditions both for companies and the states. For instance, such a regulation would apply competition rules in the context of state funds to ensure that the states do not grant tax conditions to certain companies that are in violation with the Single Market competition rules. Another example: e-business and the new rule according to which taxation must be applied at the location of consumption (in order to ensure the existence of a framework of fair competition).

A guiding light: tax fairness and justice
The agenda shall follow the guiding light of tax equity and justice, namely in the complex context of the fight against tax fraud and evasion. In this domain, during Commissioner Semeta's mandate, a major step was taken thanks to the end of banking secrecy in Europe. The European Union is a pioneer in the field of the automatic exchange of information and the OECD is working hard to develop this standard globally.
In the field of transparency, country-by-country reporting aims to force companies to be more transparent on a certain number of tax data. It is fully inscribed on the "Tax and Development" agenda.
Beyond tax transparency, the issue of just and efficient taxation must be dealt with.
Every sector should contribute to the states' revenue (e.g. the digital economy, banking sector by means of the financial transaction tax).

From now on, the European Semester allows European institutions to bear a certain level of influence on the member states' fiscal choices, in addition to tax harmonisation or coordination. Through its recommendations, the objectives of the European Union are threefold:
1/ finding ways of lightening the labour tax burden,
2/ focussing more on other tax bases, namely environmental taxation – which is still insufficiently applied by the member states;
3/ fighting against tax fraud and evasion with the European tools at hand (legislation and financial (Fiscalis Programme)).

▶ ***FRANÇOIS GORIS***
President of the UNSP Finances Sector, Belgium

François Goris welcomed the participants and expressed pleasure at the choice of the location for the seminar. Brussels is at the heart of Europe and the seminar was taking place at the Finance Tower, where 3,000 Belgian tax officials work.

UNSP-NUOD: a trade union committed to the fight against tax fraud
The UNSP-NUOD does not only defend the common and individual interests of its members, it has also always defended fair taxes. The trade union has put pressure on politicians several times in the past.
In 2009, UNSP-NUOD launched the creation of a group which in turn gave birth to a parliamentary commission on the fight against tax fraud. The final report on this survey contained 100 recommendations, of which half have already been implemented (and 26 of which have been partially implemented).
Since 1990, the UNSP-NUOD has participated actively in an anti-fraud committee with representatives of the government and trade unions at the Finance Department. This committee was able to put a stop to concrete fraud schemes. This committee has been dismantled and the UNSP-NUOD is fighting for its restitution.

Flagging the need for additional personnel
Just like many other public services in Europe, the Belgian Financial Public Services department (SPF Finances) has not escaped staff-cutting measures (i.e. partial replacement of retired staff). These cuts were justified at the beginning of the last decade due to automation (electronic tax filing), but they have continued to take place. There has been a 20% cut in staff since the year 2000. The UNSP-NUOD acts to raise the public's awareness concerning this matter, namely by issuing many press releases. It also puts pressure on those at the negotiation table at times of governmental changes, in order to get the necessary additional personnel to fight against tax fraud.
In order to overcome the crisis, it is important to invest in tax and customs administrations and the UNSP-NUOD sees this as an important role for the trade unions in this sector.

▶ ***SERGE COLIN***
President of the UFE

Fighting tax competition
Serge Colin presented the figures communicated by the European Commission: 1 trillion Euros' worth of tax fraud in Europe every year. Before talking of fraud, he believes that one should fight against tax competition. A tax law can be the object of fraud if it is not well understood and if there are disparities in Europe resulting from the wish of some governments to organise tax competition in order to attract taxes. The rule of unanimity that applies here is problematic. This lack of flexibility prevents any evolution in terms of the rules that apply to taxation. However, it is essential that tax laws be harmonised to a greater extent on a European level, namely due to the single currency, the Euro (minting currency and collecting taxes are the principles of all organised societies). This promotes tax dumping and also, as a result, social dumping in Europe. This entails many risks (new crises due to financial speculation, imbalances in budgets, Euro crises). In some areas, progress is being made: end of banking secrecy, fight against tax havens (even if some do still exist in Europe).

Awakening of political awareness
Currently, the level of political awareness is increasing. However, it is important that there should be a real democratic transparency in the debates that should involve the citizens of Europe who must be aware of the possible political choices concerning taxation. Serge Colin warns the participants of the lack of transparency regarding the work of some lobbyists, namely those working in the financial sector who are fighting against the financial transaction tax initiative. It is also important that governments do not simply give in to the easy solution of increasing VAT, a quick way to bolster the states' budgets. It is not fair to

always favour indirect taxes and consumption taxes. This type of strategy also means that there is a higher risk of increasing VAT fraud (namely carousel fraud), which already represents the largest portion of the 1 trillion Euros' worth of tax fraud.
Serge Colin welcomed the progress made in terms of the automatic exchange of information, which has been one of the fights led by the UFE for many years. Nevertheless, in his opinion, this does not justify renewed staff cuts in tax, financial and customs administrations in Europe. However, the automatic exchange of information and data will not achieve anything if it is not processed by a high number of staff, who are trained and properly paid. It is fundamental to put an end to this policy of staff cuts in most member states. The example of Greece is telling in this area: fraud is on the rise and at the same time, the austerity policies applied lead to many job cuts and 50% cuts in tax workers' salaries (i.e. an increased risk of corruption).

Lack of personnel: one of the causes of tax fraud
As a report by Commissioner Kovác stated, it is important to study the causes of tax fraud. However, one of the reasons is the lack of personnel and training (namely to increase cooperation between tax administrations in Europe – both bilateral and multilateral). It is terrible that the Commission provides good recommendations on the one hand, and that on the other, governments are able to make their own independent choices to cut staff.
According to Serge Colin, there is an urgent need to rehabilitate the role of tax and customs officials in the eyes of the public, because they serve the public's interest (i.e. general interest) and ensure that competition is not disloyal.
He welcomes the recent progress in the fight against tax fraud but warns the participants of the need for real means to lead it. More social progress requires tax fairness first. To reach this aim, the UFE aims to address a petition to ECOFIN to denounce the shortcomings of the control system, which is necessary for fair taxation and tax acceptance, as well as to lead the citizens to agree to taxes because fraud or lack of tax fairness will be a thing of the past.

▶ ***ANTOINE PEILLON***
Journalist, France

The role of UBS in tax evasion
Mr. Peillon is the author of "Ces 600 milliards qui manquent à la France" (i.e. "The 600 billion that France is lacking"), published in 2012. In this book, he gives an overview of situation in France, where 600 billion Euros' worth of French assets are stashed in tax havens, making money there. He also writes about the historic condemnation of UBS in 2014, which was responsible for organised, systematic tax evasion for over ten years in France. But the fact is that the volume represented by tax evasion and blamed on UBS only represents 1/20th of total tax fraud of all banks in France.
Out of the 80 billion Euros that are funnelled away from France every year, only 1/40th (that is, 2 billion) are recovered by the monitoring and sanctions system in place. How can this be possible?

The obstacles to the fight against tax fraud
Police and secret service agents are perfectly aware of the existence of such fraud, how it is organised and the amounts it represents.
Article 40 of the Criminal Code states that any official in possession of any knowledge of a crime or misdemeanour must report it to the justice system. However, no sanction is set forth in relation to non-compliance with Article 40. Moreover, often, it is the officials' superiors who stop them from reporting such cases.
Pressure on individuals therefore explains many of the cover-ups of tax crimes. In addition, the legal and institutional framework in place promotes corruption, namely two types:
1. the defence secret, which prevents the transfer of information or its use for legal means.
2. the "Bercy lock" ("verrou de Bercy"), a commission responsible for tax crimes that has exclusive power - non-transparent and sovereign - over the decision to launch legal proceedings concerning tax matters. The annual volume of cases transferred to this commission represents 1% and they are never the most important international tax fraud cases. The composition of the commission itself is not transparent and explains this modus operandi. It is composed of top officials with highly political careers. They can therefore protect people who participated in the financing of French politics and who, in return, demand that the administration close their eyes concerning certain practices. Recently, reforms to the "verrou de Bercy" have been proposed but they did not lead to any change, due to a lack of political goodwill.
   It is thus necessary to return to a grassroots level. This means that responsibility must be taken back by the civil servants themselves, salaried workers in the private sector and citizens. They will therefore need to take part in a new form of trade unionism, revive all collective bodies who have the power to call upon the top levels of the hierarchy in a credible manner - and why not politicians too?

▶ *JONATHAN LEIGH PEMBERTON*

Deputy Head of International, Cooperation and Tax Administration Division, OECD

The need to review international tax rules

The representative of the OECD explained the system in place on an international level to fight against tax fraud and review international tax rules. These rules were designed in 1920 to prevent the double taxation of persons involved in traditional forms of trade, but over time, they began to be used by players in a world that was becoming increasingly globalised with the aim of organising their "double non-taxation" better. Large corporations choose their tax domicile, whereas physical persons cannot.

The BEPS Action Plan

In September 2014, the OECD, mandated by the G20, presented the results of the BEPS (Base Erosion and Profit Shifting Action Plan) (which will be followed by 8 other actions in 2015). The focus is on the following aspects:

1. Conception of new international standards aiming to ensure tax coherence for international corporate taxes, by means of rules aiming to neutralise the effects of hybrid mismatch arrangements (Action 2).
2. Realignment of tax rules on economic substance to re-establish the benefits expected on the basis of international standards, both in the domain of bilateral tax agreements – preventing treaty abuse (Action 6) – and in the area of transfer costs – i.e. assuring that transfer pricing outcomes are in line with value creation (Action 8).
3. Increasing transparency for tax administrations and harmonising taxpayers' obligations through an improvement of transfer pricing documentation and by establishing a tax return form for each country (Action 13).

In addition, the Committee on Fiscal Affairs of the OECD, composed of 44 countries, has approved three important reports on the transversal issue of addressing tax challenges resulting from the digital economy (Action 1), the feasibility of the elaboration of a multilateral instrument to allow jurisdictions to implement measures that were approved during the sessions on the BEPS, and consequently, modify the bilateral tax agreement network (Action 15), and finally, a report on the progress made to fight more efficiently against harmful tax practices by taking into account transparency and substance (Action 5).

▶ *DONATO RAPONI*

Head of Unit VAT and other Turnover Taxes, DG TAXUD, European Commission

The common VAT framework and the VAT gap

Initially, VAT was meant to be a simple form of tax, that was neutral, efficient in nature and that could not be evaded easily.

In reality, it is not neutral, namely because of the possibility of exoneration or partial deductions. In addition, the VAT system is becoming increasingly difficult to manage (changes in economic models, the appearance of complex products and services, globalisation, technological developments).

The common VAT system has been in existence since 1977. However, it gives member states so much freedom that economic players are not aware of its existence and they declare that they have to deal with 28 national VAT systems.

On a European level, VAT represents 1 trillion Euros in tax revenue. It is one of the main sources of tax revenue on a European level. Out of this 1 trillion Euros, there is a gap between the revenue that should theoretically be collected and that which is collected in reality. This is known as the VAT gap. In the European Union, it represents 200 billion euros (i.e. between 18 and 20%). This is a large amount which should be recovered by the member states (see the study on the VAT gap in every one of 27 member states).

Fraud results in disloyal competition from dishonest taxpayers versus honest taxpayers.

From the point of view of the EU, this type of fraud is problematic in terms of the operation of the VAT single market. VAT must not be an obstacle to the free movement of goods, services, capital and persons and to the promotion of trade within the EU and corporate competitiveness.

Necessary administrative cooperation

Since 1993, VAT formalities are not carried out at the border anymore; instead, they are performed on the level of companies. However, fraud has increased over the past 20 years and it requires greater administrative cooperation amongst the member states. Currently this is not happening due to a lack of human resources. Tax administrations do not prioritise working for foreign tax authorities. The free movement of fraudsters has become a reality. The level of efficiency of recovery of tax dues from a different member state stands at 5%.

That is why it is important to strengthen the ability of tax administrations to fight against fraud, by means of administrative cooperation and rapid reaction mechanisms.

Should the VAT system be revised?

The role played by the taxpayer is very important in terms of VAT, because he/she is responsible for collecting it for the state. Taxpayers collect this tax, but he/she is not paid to do so, he/she has to do it. If the VAT is not properly collected, then he/

she can be penalised. The lack of neutrality, the level of complexity and legal insecurity encourage fraud. In periods of crisis, compliance (i.e. respecting tax obligations) drops amongst taxpayers.
50 years after the Directive issued in 1967 and in view of the amounts that are not collected, shouldn't the VAT system be revised? Can't it be simplified, by creating a one-stop-shop, for instance? This is not an issue of harmonisation on the level of legislation, but harmonisation in terms of the location of tax returns. For instance, with a one-stop-shop, an operator performing transactions in another member state should be able to fulfil his/her tax operations in his/her country of residence. On 1 January 2015, a pilot project was launched with a mini-one-stop-shop on telecommunications, broadcasting, TV and electronic services. This is the first time ever in the history of taxation that a member state will collect VAT for another member state.
Currently, a proposal for a standardised VAT return is being drafted with the aim of adopting one single VAT return form in all 28 member states.
The VAT Committee is providing support to the operators and to tax administrations by interpreting VAT legislation and publishing its guidelines in September 2014 (a website is scheduled).
The issue of revising the collection method is currently being considered. Taxpayers who are obliged to pay this tax play a crucial role at the moment. A possible solution would be the creation of a split payment mechanism, by means of which VAT would be channelled directly to the state via electronic systems, bypassing the VAT subject.
It is also important to improve relations between the VAT subjects and tax administrations (role of the VAT Forum) by putting forward a taxpayers' charter, sharing information (if a subject knows about a case of fraud, then he/she must report this to the tax administration and act as a partner), by granting certification to the taxpayer who is subject to VAT (this could enable targeted checks of high-risk taxpayers).

▶ ***JONATHAN LEIGH PEMBERTON***
Deputy Head of International, Cooperation and Tax Administration Division, OECD

The tax administration panorama
The comparative study entitled Tax Administration 2013, the fifth document of a series published every two years by the Tax Policy and Administration Centre of the OECD, provides an international comparative overview of data concerning the tax administration environments of 52 countries (human resources, performance levels, recent reforms, examples of best practices). In a context of constant change, tax administrations are required to do more with less, and to ensure that governments will collect sufficient taxes to fund the programs for citizens. With the crisis, pressure has increased. Ideally, tax administrations should be sufficiently independent (namely vis-à-vis the Ministry of Finance) and the missions at hand should be clear, as well as their responsibilities, visions, objectives, adequate resources, a stable legal framework and finally, the power to act. Here are the ensuing trends: the centralisation of tax collection and merger of departments or administrations that used to be responsible for certain types of taxes, organising prevention, encouraging (in accordance with the type of taxpayer), prioritisation of telephone communications with users (gradual front office phase-out), reduction of human resources, increase in training courses, outsourcing of some services (IT, administrative support, low-value dues recovery), structuring of relations between tax administrations and financial intermediaries.
The sixth edition of this study is currently being drafted and should be published at the beginning of 2015.

▶ ***JAN NØRNER***
Dansk Told & Skatteforbund

Doing more with less
The representative of the Danish trade union presented the situation of tax administrations (SKAT) in Denmark. In 2005, a merger between municipal and national collection offices took place. This restructuring (moving locations, internal mobility) led the numbers of staff working at SKAT to drop from 12,000 in 2005 to 8,300 in 2009, then to 6,900 in 2014. It is forecast that 6,100 staff will be employed there in 2018. Minister changes have also added to the sense of insecurity. The ministers justify the staff cuts as follows: IT development, the need to work on projects and concentrate on presumed fraud cases and not automatic checks. Compliance has also been used to justify the job cuts. However, the fact that the number of checks is diminishing increases the number of errors in companies' books (54% of errors in 2010 compared to 46% in 2006).

Raise awareness amongst politicians and the public about the role of tax administrations
The trade union has tried to speak to politicians in vain, before moving on to raising awareness amongst the public at large about the fact that fewer staff in tax administrations leads to a drop in checks and consequently, fewer public funds. A website listing 13 demands has been set up (with slogans such as "I don't pay my taxes. Thank you, neighbour, for paying them for me."). Tax administration officials also went to a summer university with 60,000 attendees on the Island of Bomholm. They talked to the citizens to raise awareness levels in a humorous manner about the impact of tax fraud and job cuts in tax administrations.

FERNAND MULLER
President of the UFE Tax Committee

The consequences of the crisis on tax checks
Fernand Müller raised the following points:
-traditional checks carried out by tax offices (that are more affected by staff cuts because users are presumed to be compliant)
-in-depth checks performed by specialised services (less affected by staff cuts, even if travel to on-site locations have become more complicated due to job cuts) according to a pre-defined procedure (the choice of cases to be checked can take place automatically or via informed agents). New IT products, bank statements (cash problems, illegal workers, clocking devices in some jobs) are used for these checks. Machines will never replace human employees in the context of organised fraud, the invoicing of services that were never provided, illegal work, personal expenses, corruption and money laundering.

Every tax official in charge of checks represents far greater revenue than expenditure
Even if they are aware of the importance of checks, governments have implemented austerity measures that have affected tax officials (frozen employment, recruitment that is delayed in time, drop in the regularity of checks, automated taxation). Tax administrations are often perceived as administrations that sanction more than they monitor.
The revenue resulting from tax checks has not necessarily dropped during the crisis: does this mean that tax fraud increases during a period of crisis, or is it that monitoring services are choosing the right targets? The statute of limitations that applies to crimes is too short for efficient checks. Following the checks themselves, there is a problem of recovery of dues because of an increase in the number of bankruptcies.
However, if we compare the "cost" and the revenue of a tax administration official in the European Union, one can see that every monitoring official actually provides much more revenue for the state than what he/she costs.
The challenges that will be seen in the future will be: keeping up tax checks, recruiting officials and ensuring they are trained (namely in terms of the transfer of knowledge from older workers to new recruits).

THOMAS EIGENTHALER
Federal President of the DSTG, Germany

The federal president of the German trade union DStG spoke of the issue of electronic data processing by tax administrations and the impact of the digital era for personnel and tax collection in Germany. The age pyramid of tax administrations in German means that over the 10 upcoming years, 50% of the personnel will have retired. Recruitment is struggling due to a lack of qualified human resources and competition from the private sector. It is important for trade unions to ensure that they do not harm the profession by speaking badly of it, because younger generations must be optimistic and proud of fulfilling this mission.

Role of ICTs in tax administrations
As a trade unionist, Mr. Eigenthaler calls into question the role of new information and communication technologies (NICTs) in this sector. Are they there to provide support to the personnel – or do they replace them? How can data be communicated to the tax administrations? They are communicated via tax returns, banks and insurance companies, who all transmit such data. It is important to discuss the automatic exchange of information, but to process this data, it must be of good quality and useable. This also poses a problem in terms of data storage and confidentiality (in Germany, sometimes up to 1,000 workers share specific data).
Another issue raised by unionists in connection with ICT development is telework. What about the equipment provided?

Involving workers in the digitalisation process
It seems increasingly necessary to coordinate technological and digital developments on a European level, in order to improve tax cooperation.
Currently, in Germany, self-taxation is being considered, so that users may calculate their taxes themselves. The aim is to increase tax compliance and only perform random checks. The DStG fears that this is just a way to justify the non-replacement of certain staff members – and the Danish example demonstrates how the risk of errors increases in the area of compliance.
The trade union is not opposed to ICTs, which must ensure the positive development of tax administration tasks. However, it is important that workers in that sector be implied by the digitalisation process.

▶ *NANCY PEETERS*
Head of Sector, DG TAXUD, European Commission

The FISCALIS 2020 programme
Fiscalis 2020 is the key element resulting from efforts made to fight against tax fraud by means of the consolidated cooperation between member states and the strengthening of the single market. It is a European Union cooperation programme which provides the necessary means to national tax administrations to generate and exchange information and know-how. It enables the elaboration and management of large-scale, cross-European IT systems in a partnership mode, as well as create inter-personnel networks that connect national officials everywhere across Europe. Since 1993, the programme has expanded and its budget has not been cut. The 5th generation of the programme shall last 7 years, starting on 1 January 2014, and will possess a budget totalling 223.4 million Euros. During the 2008-2013 period, approximately 24,500 employees participated in the Fiscalis programme and 7,000 work visits were organised (made possible by means of a reactive accreditation system one week following a request to the European Commission). The initiatives are increasingly being launched by members of the European Union (and not only by the European Commission). Online training modules are amongst the new activities put forward. Some member states that are severely affected by the crisis are the object of more specific activities, and benefit from the presence of experts. The costs of personnel for this project are covered by the Programme.

A Programme made more popular by the participants

Dirk Dierickx, head of the IT department of ISI in Ghent, Belgium, spoke of his experience of the Programme, in which he has participated several times. He participated in the following activities: updating the information made available via the 'E-audit Forum'; creation of an IT forensic group in Portugal (i.e. a method to verify the veracity and integrity of the data entered in companies' IT systems and that is often used in the fight against VAT carousel fraud); creation of single points of contact (SPOC) in every member state (Internet Service Centres); drafting the "good European practices" (applicable to both methods and tools); creation of "multilateral tax audits" (in the area of internet services, gambling, etc. …). In his opinion, tax problems faced by member states are also faced by others, so consequently, it is important for states to inspire each other in terms of action (i.e. to avoid mistakes committed in one state or another, to create a tool that already exists elsewhere). The digitalisation of the economy makes administrative cooperation in the field of taxation indispensable. Finally, in times of crisis, it is important to locate free or inexpensive tools that are available and necessary for checks.

▶ *TRACY KAYE*
Professor of Law, Seton Hall University School of Law, United-States

Tax fraud is a global problem which requires a global response. According to the Tax Justice Network, about 21 to 32 trillion dollars were not declared because they were offshore assets in 2010.

The USA's reaction: FATCA
Following the UBS scandal, the USA could no longer ignore tax evasion. Despite the fact that this problem requires a global solution, the country decided to pass FATCA unilaterally in 2010. This Foreign Account Tax Compliance Act is a regulation of the American IRS Code which makes it compulsory for banks in countries that have bilateral agreements with the US Government to sign an agreement with the US Department of the Treasury according to which these banks must communicate information about all bank accounts held by US citizens to this Department. This system entered into force on 1 July 2014 and sets forth sanctions for financial institutions or individuals who do not comply. These include the forced closure of an individual's account or 30% tax rate on the value of an investment in the USA. All EU member states (except Greece) have signed the bilateral agreement with the USA for the implementation of FATCA. FATCA has played a fundamental role – as a driver, even – in the creation of a multilateral platform for the automatic exchange of information in the OECD.
Two cooperation models are set forth in the FACTA:
in the first, banks deal with the tax authorities of their states, who in turn report to the US Department of the Treasury (UK,FR, DE, IT, ES). In the second, banks deal directly with the US Department of the Treasury (AT).
In 2014, 80 countries and 77,000 foreign banks had agreements with the US Department of the Treasury.
By doing this, the USA recognise the fact that such bilateral agreements lead to a relationship of reciprocity in terms of the exchange of information concerning the taxpayers of those countries residing in the USA.

European initiatives
- The Directive on the Taxation of Savings Income:
  Revenue from capital interest is one of the most mobile forms of tax bases, and tax competition is fierce. In order to ensure the proper operation of the Single Market and fight against tax evasion, the Directive on the Taxation of Savings Income was adopted in 2003 and has been applied since 1 July 2005. In 2010, 11.4 billion Euros in interest payments were the object of the exchange of information between the tax administrations of the various member states of the European Union (except Luxembourg and Austria, who set up a 35% taxation at source system during a transition period, which has allowed them to keep the confidentiality of users' bank accounts). A revised version of this Directive was adopted on 24 March 2014 and

aims to reinforce the existing regulations that apply to the exchange of information on revenue from savings. This is in line with the global OECD standard on the automatic exchange of information adopted in July 2014. This standard invites public authorities to obtain detailed information about bank accounts from their financial institutions and exchange this information automatically with other jurisdictions on an annual basis. 47 countries (of which 28 member states, except LU and AT) have adopted this standard.

- Administrative cooperation:
  The financial crisis has accelerated the move towards administrative cooperation and highlighted the need for the exchange of information to fight against tax fraud. In 2009, the Commission proposed a new directive concerning administrative cooperation in the field of taxation. Adopted in 2011, it entered into force in 2013. One of its aims was to promote the implementation of the OECD's Standard for Automatic Exchange of Financial Information in Tax Matters. Member states must communicate the requested information within a defined timeframe, even if they do not gain anything by doing so and even if the information in question is held by a bank or financial institution. This means that the member states cannot invoke banking secrecy to refuse to communicate this information.
  Within the framework of the automatic exchange of information, the competent authority of a given country sends the corresponding competent authority in another EU country any information available concerning capital and income gained by persons residing in the latter country on gains from the financial years beginning on 1 January 2014 (professional revenue, attendance fees, life insurance, pensions, properties and real estate income). This obligation could be extended to dividends, taxable gains, other financial revenue and bank balances.
  The directive on administrative cooperation contains a "most favoured nation" clause in Article 19: thus, any state applying FATCA should, in theory, be obliged to provide its European counterparts with the same level of cooperation as it does with the USA (i.e. the end of banking secrecy in LU). Whatever the role of FATCA (drone or domino effect), it is admirable that the OECD and the EU should have taken this opportunity to work with the USA to develop common reporting standards for financial institutions.

▶ ***SERGE FABER***
Anti-Fraud Services, Ministry of Finances, Luxemburg

Administrative cooperation concerning VAT

Serge Faber focused on international VAT cooperation, particularly the new means and procedures to fight against carousel fraud.

There is an administration in the Grand-Duchy of Luxembourg that administers indirect taxes. VAT revenue has increased in Luxembourg and this administration has experienced an increase in taxpayers (60,000 compared to 20,000 in 1985). The number of staff has increased from 60 to 90 (thanks to the internal mobility schemes between departments and recruitment). Serge Faber presents the legal framework administrative cooperation concerning VAT based on Regulation no. 904/2010 of the Council. In order to fight efficiently against fraud and namely against carousel fraud (which has become more complex), it is fundamental that a quick exchange of information be promoted. This can be done by means of a central liaison office, or via the competent authorities or officials (a controller could directly request the exchange of information). The exchange of information can be done via an IT system (VIES), multilateral checks (MLC), written requests (SCAC forms) or Eurofisc.

New tools

Created in 2010, Eurofisc is a structure that allows member states to step up their administrative cooperation in the fight against organised VAT fraud, namely carousel fraud. It allows a quick, targeted exchange of information between all member states on fraudulent activities. The challenges in the area of carousel fraud are numerous: the economic environment has become more diverse (carousel fraud can involve up to 500 companies), fraud can involve not only VAT but also organised fraud schemes. Legislation is constantly evolving, and so is the behaviour of fraudsters. Goods and services are also evolving. The phenomenon of carousel fraud is highly dynamic, and requires an increase of cooperation and coordination (by better using human resources and tools).

One of the tools available is the Social Network Analysis (SNA), which is based on a software programme that is able to detect and isolate intra-European transactions that are of interest to tax auditors. This is a dynamic information exchange system, which is automatic and targeted, based on risk information provided by Eurofisc. This tool was tested during a pilot phase by the Benelux (2013/2014). Out of over 3 million files, 125 fraudulent networks were detected (some were already known to the authorities, but others were not). Thanks to this success, the member states decided to participate in this system which will be expanded with the support of the Commission.

FINAL ROUND TABLE

Three panellists were at the round table. Wilhelm Gloss, President of the Trade Council 'Central Administrations' of CESI, highlighted the fact that his trade council will be in charge of the follow-up to this seminar and will participate in the drafting of CESI's position on this issue. When he spoke of the amounts represented by fraud, he stated that the outstanding dues could really help in the fight against unemployment. Tax equity is the base of social cohesion. Without this, populist movements will gain ground. This does not mean that everyone is equal in terms of taxation, but that the tax burden must be fair, in accordance with the means of every individual.

Urs Stauffer, Vice-President of CESI and of the Trade Council 'Local and Regional Administrations', said that he is also a supporter of a fair and just tax system in Europe, in which everyone should contribute according to his/her means. Progressive taxation should receive more support than a flat tax rate, which is not ideal. Direct taxes should be limited, so that people may keep some purchasing power (and permit contribution in indirect taxes). Moreover, the harmonisation of corporate taxes should be an objective. Rulings (i.e. secret tax agreements between a state and a company) are the exact opposite of tax equity.

Corporate taxes tend to drop as turnover increases. On the other hand, the tax burden on individuals increases. Any reform in favour of a reduction of corporate taxes has an impact on public revenue (cf. the corporate tax reform that is ongoing in Switzerland).

Javier Curiel Díaz, full professor of economic analysis at the Complutense University of Madrid, stated that the principles of tax equity often aim at physical persons. How can one justify that capital revenue is taxed to a lesser extent?

With austerity measures, the debate is often about expenses, but it should be on equity in the distribution of revenue. The priority of governments is to collect the outstanding dues that have not been collected by tax administrations, who are under enormous pressure (without the staff being replaced when they leave). The fight against tax fraud stops taxes being increased. Future generations will be those who have to pay the bill (inequality between generations). Economy is a cycle and when a crisis ends, governments will have to ponder the issue of tax equity.

▶ ***ROMAIN WOLFF***
President of CESI

Tax fraud is a budgetary and social plague

To conclude, the President of CESI reminded the participants that tax fraud is a plague, both in budgetary and social terms, and that it undermines the trust of honest citizens in the tax system. He highlighted the need to be attentive to this problem, because the political and democratic consequences can be very heavy indeed. Today, all agree that the fight against tax fraud should be a priority and the crisis has enabled progress to be made in this domain. It is not acceptable, however, that taxes be mostly paid by physical persons and that so many companies try to avoid taxes in the name of competitiveness. It is also unacceptable that the tax administrations' staff numbers be cut in this manner and it is important to reach a true administrative cooperation. By cutting staff numbers using the excuse of saving money, more revenue is lost than would be the case if the sufficient amount of personnel did the work. Personnel must be considered an investment, not a cost.

Mobilising all players

In the fight against tax fraud, it is important to come together. This is CESI's aim in this seminar: Romain Wolff thanked the speakers of the seminar and welcomed the fact they were from such different backgrounds. CESI benefits from the expertise of tax administrations, customs, central administrations, police forces, magistrates etc. in the trade councils, as well as from the collaboration with other trade unions (e.g. UFE for this seminar, and other unions in the European Platform for Tax Good Governance. CESI shall continue to act on this issue, because it is true that the public authorities' revenue ensures the continuity of public action and permits the provision of high-quality public services.

The symposium is chiefly financed
by European Union funds

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