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“One of the cornerstones of the European Union from an economic point of view is the principle of healthy, fair competition on the markets.”

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Interview with Alain Lamassoure. MEP. Chair of the European Parliament's special TAXE Committee.

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**1. Following the revelations in the LuxLeaks scandal the European Commission has launched a series of inquiries into the tax rulings (ad hoc advantages given to businesses) of multinational businesses based in Luxembourg, Ireland, Belgium and the Netherlands. On 26th February 2015 the new parliamentary committee on tax rulings elected you as its Chair. What is the role/mandate of this special European Parliament committee?**

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The European Parliament turned its attentions to the so-called LuxLeaks revelations due to the fantastic work undertaken by an international consortium of journalists who revealed the “ruling”, one of many tax practices, used by businesses to reduce their taxes.

The concept is one of fluid, changeable outline, interpreted differently according to the States' jurisdictions and administrations. However we might believe it to be a formal position adopted by the tax authority if a taxpayer demands details about the application of a rule in tax law to which he might possibly have to submit. It is an extremely useful tool particularly for foreign businesses that want to establish themselves in the European Union.

The administration's answer is binding and this is why this totally legal procedure is a guarantee of legal security and transparency for every tax-paying citizen.

But in reality the practice brings to light extremely disparate situations and the focus of the special TAXE committee is to establish in which cases the ruling responds exactly to the clarification of tax law rules in view of the law and what the

other situations are in which it is rather more a negotiation tool being used for the benefit of businesses according to “law of the market”.

I am hopeful that after many hearings (with Commissioners, Ministers, national Parliaments, tax administrations, academics, tax experts and advisors, NGOs, unions, businesses etc..) and visiting delegations in several Member States where the ruling exists, our committee will be able to draft an exhaustive panorama of all of the tax measures that aim to break the corporate tax base.

With this we shall be able to draw up legislative solutions to provide a European response to this global challenge.

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**2. You explain that tax competition is healthy if it contributes towards economic dynamism, notably to business competitiveness but that it can be damaging if it leads to a tax war between Member States. What possibilities are there for tax convergence between Member States in the long term? Is the tax transparency package the first step towards tax convergence?**

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One of the cornerstones of the European Union, from an economic point of view, is the principle of healthy, fair competition on the market. This aims to encourage economic efficacy, the optimal allocation of resources, technical progress and consumer well-being; we established this in the treaties on the same level as the freedom of movement which enables the growth of the single market.

I do support tax competition but on condition that it respects the principles and rules that we apply to competition in other areas: transparency, fairness, equity.

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At present 28 Member States rival in opacity and underhand practice in terms of corporate tax. Within the European Union we must aim to agree on the same definition of taxable profit but allow each State to apply the rates that suit it. This is what we have done with VAT for the last forty years!

Beyond vital transparency there is also the question of effectiveness; indeed the co-existence of 28 different tax regimes fragments the market and prevents growth due to over taxation or double taxation of businesses subject to as many costs caused by compliance with disparate national tax rules.

It is an impediment to growth and therefore to employment.

However the single market is the best chance the old continent has to remain competitive from a global point of view. This is why European competition and tax policies can no longer be drawn up separately; they are two sides of the same coin, of the goal of integration.

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### **3. Much has been achieved in terms of financing and bank regulation since the 2008 crisis. What are the next steps and what are the present stumbling blocks?**

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A year after the election of the European Parliament one feeling is now emerging: the European reform of financial regulation and Banking Union are the major European successes of the last five years. Thanks to the Lisbon Treaty the European Parliament has transformed and extended its economic competence which is reflected in a fully endorsed legislative procedure. Recent parliamentary work and debate bear witness to this in terms of the structural reform of banking for example.

Our thought and action is not just focused on one ex post regulation but also on establishing an ex ante framework that will serve our political goal of bringing financial activity closer to the financing of the real economy.

This is the real meaning of the sectoral reforms and the framework of banking union, the capital markets, of shadow banking, securitisation, of own resource banking and taxation of the financial markets. We are redesigning the global landscape of how the European economy is financed. All of these issues are interdependent and require concerted action on a European and international level.

In real terms Banking Union has started, a single supervisor has been newly appointed in Frankfurt and we now have a specific idea of the European banking landscape in the wake of the stress tests, and with the establishment of the single resolution council, a true safeguard against bank default, the financial pillar of banking union, is complete.

Soon, under the third pillar, we shall strive to ensure a guarantee deposit to protect savers. With this banks will be mutually interdependent and accountable to savers and the public authorities.

There is still a great deal to do, including the reform of bank structures and the draft tax on financial transactions. There is no hurry; experience has shown us that reform has to be done precisely and accurately without stifling. The European economy and the revival of investment are sensitive to these changes. I am convinced that with political determination and true knowledge of market practice and requirements we shall find a fair, vital balance.

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### **4. You were the rapporteur for the report on the European Parliament and Council's draft regulation on the European Long Term Investment Funds (ELTIF). Can you tell us more about this? What are its specific features?**

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Two observations were behind this new means of investment which entered into force on 8th June 2015 and will be applicable as of 9th December 2015.

On the one hand we estimate that between one and two billion € will be necessary to finance the infrastructure projects that Europe needs until 2020.

On the other traditional long term financing sources are limited by the present economic situation: governments are being held up by large debts and the fiscal reforms they have to introduce – major businesses are adopting conservative investment strategies and the banks, which have been weakened, are still reticent it seems about taking risks again.

At the same time insurance companies and pension funds which would like to invest in long term assets do not have the resources to enable them to mobilise sufficient funds alone, and there are no pooling devices (such as investment funds) that would facilitate this type of investment. As a result the creation

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of a new means of investment aims to encourage them to invest in assets such as non-listed companies in quest of long term capital, some listed SMEs, intellectual property and other intangible assets, as well as European capital-risk funds and European social entrepreneurship funds.

Fate would have it that on the same day in November 2014 the President of the European Commission, Jean-Claude Juncker unveiled his investment plan and we came to a political agreement with European Commissioner Jonathan Hill and the Italian Presidency of the Council on this regulation after negotiations in which I represented the Parliament.

It is a contribution towards building the Capital Markets Union and a tool at the service of the Juncker Plan, since the ELTIF funds will help towards providing leverage.

The ELTIF funds, endorsed with a European stamp, will participate in the financing of projects selected under the European Fund for Strategic Investment (EFSI). These funds will help us find the necessary resources over several decades in areas in which we struggle against the fragmentation of national markets, such as in mobile telephony and energy. We are providing Europe with the means to undertake its policy.

The regulation was published in the Official Journal of the European Union on 19th May 2015. The quality, efficacy and rapidity of our work has convinced me that our common ambition will make a positive difference to employment and growth in Europe over the years to come.

**5. On 5th May the European Commission unveiled its economic forecast of spring 2015. Economic growth finally seems to have returned with a sustainable**

**outlook. Are the efforts made by the States and their populations finally producing results?**

It is true that the picture is transforming from black and white with the appearance of a few coloured areas. It is encouraging and the proof, if any, that Mario Draghi's speech at Jackson Hole in July last year foretold the result of the efforts made by Europe – notably by Germany, Spain and Ireland, which today rise beyond exogenous factors of recovery and are setting the scene for long term growth.

However one swallow does not a summer make, or the seasons to come for that matter, and I am still worried about the Union's second biggest economy – France – which seems to be surfing on the benefits of the exceptional measures that some were eager to criticise just a few months ago. The question that has arisen again over the last few months is whether there are States that are too big to be blamed? Recent procrastination and the additional time negotiated by the French government with the European Commission simply strengthen this feeling of injustice. At the same time rising oil prices herald the end of play time, structural problems remain, and with each new economic forecast unemployment painfully reminds us of this. The situation in Finland and Austria stand out in my mind, and Greece worries me.

Recent results have been positive and encouraging overall but we should refrain from any feeling of victory, we have to step up our work; the Juncker Plan will soon be on track and this is excellent new but there is still a long way to go.

**Alain LAMASSOURE**

MEP

Chair of the European Parliament's special TAXE Committee.

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