ETUC resolution on EU taxation and own resources

Adopted at the virtual Executive Committee Meeting of 22-23 March 2021

Introduction

We are living a particular time in European history. One where social and growth-inhibiting inequality, which have been on the rise for quite some time, and which are damaging for a democracy, have now been exacerbated by the pandemic. Where tax avoidance is reaching considerable levels and causing significant shortfalls to public finances and consequently to the quality and availability of public services; and where some companies and sectors are benefiting from excess profits, in time of economic crisis. Where financial markets are still lacking sufficient regulation and where just transition needs are growing in view of environmental social concerns that are becoming even more urgent.

The European Union has launched its future Multiannual Financial Framework and is finally raising common debt instruments on the financial markets on its own behalf. To this end, the European Parliament and the Council Presidency found an agreement for a legally binding roadmap for additional own resources at the European level including "a tax on financial transactions, a common corporate tax base or another financial contribution from companies"[1].

The main goal of this resolution is to provide ETUC's position on this specific issue and other current tax debates, while reaffirming ETUC long-standing demands for tax justice.

Experience has shown that austerity policies are inefficient, if not counterproductive, and should be fought. There is currently some support for more expansionary fiscal policies to counteract the worsening of the crisis. Nonetheless, an increase in revenues in the European Union, with the aim of enabling our economies to recover from the current crisis and pay for the newly established EU indebtedness capacities, cannot be derived from direct and indirect taxation that places greater burden on the lowest income households, nor can it come from a decrease in European-funded schemes. Additional resources have therefore to come from new tax sources, with new or reformed taxation systems with different purposes (tax avoidance and tax competition, tax duty sharing, change in behaviours and inequality).

However, European taxation is hampered by the unanimity rule in the European Council, and the Commission has proposed to move the voting in this area to a qualified majority (QMW)[2]. The ETUC has long been in favour of QMV[3] on taxes of transnational nature, such as corporate or ecological tax. Tax dumping, or tax competition, is harmful to economic development and the welfare state, and put pressure on the quality and universality of public services and infrastructures. Furthermore, it has always been claimed that taxation policies cannot be considered as a competitive issue as is the case at present.

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[1] See Annex II of the Report on conclusion of an Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources (2018/2070(ACI), 14 December 2020.)

[2] Communication from the Commission to the European Parliament, the European Council and the Council towards a more efficient and democratic decision making in EU tax policy, COM(2019) 8 final.

[3] See ETUC Activity report 1999-2002, and ETUC (2004), "The European Constitution".

Roadmap of the ETUC actions

The financial crisis in 2008, EU-backed austerity measures and tax avoidance scandals have pushed tax justice to the top of the EU public agenda. For the past decade, the European Commission has put forward a series of proposals, many of which have however either been watered down, such as the EU list of tax havens, or blocked in Council, such as a tax on financial transactions, a common consolidated corporate tax base and public country-by-country reporting.

Amid the pandemic, taxation is gaining prominence once again at the European level with many organisations and academics pushing for enhanced fiscal justice and more progressive tax regimes. The current Portuguese Presidency is indeed strongly supporting the public Country-by-Country Reporting (pCBCR) file and expects a positive outcome by mid-2021[4] and is trying to relaunch the debate on the implementation of a Financial transaction tax. The European Parliament has established a permanent sub-committee on tax matters, and we are expecting the Commission to come forward with a number of new proposals. A substantial part of these proposals will have to be assessed against the OECD/G20 Inclusive Framework on BEPS (Base Erosion and Profit Shifting) to boost tax transparency and combat tax avoidance. Furthermore, the European Parliament and the Council have agreed on a binding roadmap for identifying and implementing measures to raise the EU's own resources for the budget and Consultations on environmental and digital taxes are underway.

We need to find new sources of EU taxation that address different needs or objectives. However, four priorities/demands remain important. First, corporate tax avoidance (and tax competition) must be tackled seriously. Second, the sharing of the tax duty must be fair. For instance, increased taxation of excess profits could be suggested, either temporarily or permanently, because they will only affect profitable businesses. Third, there is a need to reorient our economic activities towards more sustainable and stable productive economic patterns. Fourth, inequality, especially wealth inequality, must be reduced. Moreover, since corporate tax rates are globally on a decreasing trend, there is room for a minimum nominal or effective tax rate to be put in place to fight tax competition and regulatory arbitrage.

Ending tax avoidance and tax competition

Nowadays, larger companies do not need to move tangible capital to countries with low tax. Instead, they avoid paying tax by shifting accounting profits. On a global scale, the State of Tax Justice 2020[5] reports that the world is losing over $427 billion (USD) a year in tax due to international tax abuse[6]. Of the $427 billion, nearly $245 billion is from multinational corporations (MNCs), which shift profit into tax havens, including in the EU, in order to underreport how much profit they actually made in the countries where they do business and consequently pay less taxes than they should. MNCs paid billions less in tax than they should have by shifting $1.38 trillion worth of profit out of the countries where they were generated, and into tax havens, where corporate tax rates are extremely low or non-existent. The State of Tax Justice 2020 reveals that over $656

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[4] With the recourse to the Article 116 of the Treaty on the Functioning of the European Union which allows qualified majority voting in the case of distortions in "the conditions of competition in the internal market", such as a lack of transparency.

[5] Global Alliance for Tax Justice, PSI & Tax Justice Network (2020), "The State of Tax Justice 2020: Tax Justice in the time of COVID-19", see also T. R. Tørsløv, L. S. Wier & G. Zucman (2018b), "The missing profits of nations", Working Paper 24701, National Bureau of Economic Research.

[6] Corporate tax abuse by multinationals is an element of the global problem of illicit financial flows and comprises criminal tax evasion; unlawful tax avoidance; and some avoidance which, will technically lawful within the weaknesses of international tax rules, nonetheless contributes to the socially objectionable outcome of misalignment between the location of companies' real economic activity and where their profits are declared for tax purposes

billion in profit is shifted into the axis of tax avoidance[7] by corporations every year, costing the world nearly $117 billion in tax lost due to corporate tax abuse. The axis of tax avoidance is responsible for 47% of the $245 billion the world loses to corporate tax abuse every year. Globally, tax loss due to international tax abuse in Europe is equivalent to 12,58% of the region health spending, equivalent to the average yearly salaries of 4,636,180 nurses in the region, and 17,58% of the region's combined education spending. The top five tax losers seem to be the UK, Germany, France Ireland and Italy while the five worst offenders, according to the report, are the UK, the Netherlands, Luxembourg, Ireland and Switzerland.

The current international taxation system is based on the premise of treating the various subsidiaries or branches of MNCs as if they were independent from each other (the so-called "arm's length principle" with the support of transfer pricing strategies). This has encouraged MNCs to create complex tax-avoidance structures by creating hundreds of subsidiaries in convenient jurisdictions. These arrangements are conceptually straightforward: low profits are declared in high-tax jurisdictions, both in developed and developing countries, through the use, for instance, of limited risk structures, excessive debt and deductions for the right to use intangibles. This system allows MNCs to allocate their profits in low-tax jurisdictions or tax havens, and, consequently, pay almost zero tax. Although such schemes may be legal, they can be challenged by the European Union on legal grounds, on the basis of state aid rules. This route, however, proves to be lengthy and very uncertain, as evidenced by the recent Apple ruling, where the European General Court ruled that the Commission did not succeed in showing that the disputed tax advantages constituted state aid. For this reason, the ETUC has been calling for in-depth reform in the current international taxation rules.

As a consequence, governments are left with the option of either cutting back on the essential spending needed to finance quality public services, not least education, health and social care, to fight inequality and poverty and climate change, or making up the shortfall by increasing taxes such as VAT or other indirect taxes on consumption. The latter is a proportional tax that the ETUC, as a general principle, opposes since it is regressive in nature and adversely affects predominantly more low-income citizens[8].

In 2016 the European Commission decided to relaunch the Common Corporate Consolidated Tax base (CCCTB), based on a unitary taxation system which would allow to treat a MNC and its subsidiaries as a whole, following a two steps approach. The ETUC supported the principle but made a few remarks most of which had been included in the reports from the S&D and EPP Groups rapporteurs. The European Commission also suggested defining a "digital permanent establishment" for MNCs as having activities but no physical plants or administrative registration in the European Union, enabling their integration in a taxation scheme at a European level. In the absence of an international agreement, this complement could act as a proper solution for adjusting profit allocation rules to the digital reality of the 21st century.

In addition, the Commission, as is the case for the banking and extractive and mining sectors, issued a directive for public Country-by-Country reports for MNCs, with a turnover above 750 million euros, in the European Union. Such a legislative measure would provide the right tools for enabling tax administration to tax MNCs where the value is created - where workers, sales and assets are located. Unfortunately, because of the need for unanimity, the CCCTB and the reform of permanent establishment have been blocked in Council for several years. In 2018, the OECD has, upon the request of the

[7] Consisting in the UK and its network of Overseas Territories and Crown Dependencies, along with the Netherlands, Luxembourg and Switzerland.

[8] See M. Méaulle (2019), "Profit, investment and inequality: a preliminary view", in P. Scherrer, J. Bir, W. Kowalsky, R. Kuhlmann & M. Méaulle (2019), The future of Europe, ETUI

G20, launched negotiations, which partly cover some of the issues previously discussed in Brussels.

Discussion within the Inclusive framework on BEPS, at the OECD level, have been ongoing for the last two years. An agreement has been postponed first from June to October 2020, and now to mid-2021. The OECD negotiations are based on two pillars: Pillar 1 seeks to reallocate a portion of profits of an MNC to market jurisdictions (i.e. where sales are made) and targets highly digitalised businesses. Because of their ability to generate profits without physical establishment, such businesses are indeed able to generate significant profit without being taxed in the countries where the sales are made. Pillar 2 defines a minimum corporate tax rate.

The proposal put forward so far under Pillar 1 is disappointing. It allows a very small part of total profits from an MNC to be reallocated and is expected to only raise a small additional revenue. Furthermore, Pillar 1 does not seek to improve the current system but would add another layer of complexity on top of existing transfer pricing rules. Pillar 2, however, could be seen as a step forward, provided that its design is ambitious, in particular as it helps to fight against tax avoidance and tax competition.

The trade union movement fully supports the adoption of a robust agreement on Pillar 2, which would subsequently be implemented by the EU. An ambitious OECD agreement is an important initiative because of its global outreach. The ETUC calls on the Commission to do its utmost to facilitate such a reform without further delay. In case an agreement at a global level cannot be reached by mid-2021, the EU must take the responsibility to introduce a 25% nominal minimum tax rate (or a minimum effective corporate tax rate) on its own and without any delay. This means that the European Commission must already prepare the ground for a proposal for an EU-wide minimum tax of 25% by mid-2021.

In parallel, the ETUC renews its calls for a CCCTB, which would include a correct apportionment formula integrating employees, sales and assets, and would establish a common new tax base for all businesses, together with a 25% common minimum tax rate (to significantly increase tax revenues globally and stop competition over corporate tax rates), public Country-by-Country reports, and the definition of a permanent digital establishment.

With such a framework in mind, part of the additional revenue gained (or a definite percentage of the profits earned, assuming revenue will increase) through a more adequate taxation scheme for MNCs could be devoted to the EU own resources.

Finally, as recently called for by the European Parliament, it is time to adopt stricter and more transparent criteria on the listing and delisting of EU countries in the list of tax havens and to ensure that these criteria apply to EU Member States.

Tax duty sharing

Over the last few decades, the most striking development in tax policy globally, has been the decline in corporate income tax rates. Between 1985 and 2018, the global average statutory corporate tax rate fell by more than half, from 49% to 24%. Digital business models in the EU face a lower effective average tax burden than traditional business models: "*Based on stylised business models, ZEW et al. (2017) finds that a cross-border digital business model is subject to an effective average tax rate of only 9.5%. This compares to a rate of 23.2% of a cross-border traditional business*"[9].

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[9] *Commission Staff Working Document Impact Assessment Accompanying the document Proposal for a Council Directive laying down rules relating to the corporate taxation of a significant digital presence and Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services {COM(2018) 147 final} - {COM(2018) 148 final} - {SWD(2018) 82 final}.*

Digital service taxes

If the debates at the OECD/G20 inclusive framework on taxation fail, many countries and Members States already indicated a willingness to implement digital services taxes (DSTs) for digital MNCs. Furthermore, the European Commission has opened a public consultation for its proposal for a Digital Levy.

Such a proposal was envisaged by the European Commission when dealing with the CCCTB and even proposed a directive for implanting such a tax. However, right from the beginning, such a scheme was thought as a temporary one, much less ambitious than the integration of all businesses under the CCCTB scheme. Indeed, DSTs are not designed as taxes on corporate profits but are typically designed more like taxes on turnover[10]. Total revenues associated with specific types of digital transactions would be within the scope of the digital tax, regardless of the costs incurred in providing the respective digital services, leading, for example, to positive tax liabilities imposed on loss-making firms. DSTs are structured as “turnover taxes” that apply to the revenue generated from taxable activities regardless of the costs incurred by a firm and may have different consequences for the after-tax accounting profits of a firm than an income tax levied at the same tax rate. Although many developed economies are concerned with ensuring that profits are taxed from their proper source, under international tax laws, a country that imposes a DST on foreign MNCs’ income (in which they have no right to tax) is not consistent with the rationale of recouping revenue lost from the profit shifting practices of that country’s firms. DST proposals are therefore unlikely to affect profit-shifting behaviour. A tax on corporate profits, in a general sense, taxes corporate income minus the costs of production. Finally, tax strategies enabling MNCs to pay little to no tax have been used by a broad array of firms that rely on intangible assets for the majority of their profits. However, these firms cannot be limited to industries in the “digital economy” as the entire economy is digitalising, and it is becoming impossible to distinguish between digital and non-digital firms. Thus, it could be argued that DSTs arbitrarily target firms within the digital economy for allegedly excessive profit shifting.

Although DST is not a viable tool to tackle profit shifting, it is, nevertheless, a reallocation of taxing rights of digital revenues to market economies, which can be implemented quickly. In the absence of an international agreement, the ETUC therefore considers the DST an interim solution for taxing the digital economy, as long as a more global and coherent system is not established, both at EU and international level.

Taxes on excess profits

In view of the soaring of profits in some sectors and the global decreasing trend in corporate tax rates, and as stated by the Tax Justice Network[11], corporate income tax rates can be increased immediately, either temporarily or permanently, because they will only affect profitable businesses. History provides some grounds for optimism. In the First World War both the UK and the United States of America imposed an 80% tax rate on excess corporate profits (above an 8% annual return). Some businesses, such as pharmaceutical companies and social media network facility corporations, have performed, and will continue to perform, very well during and after the pandemic. Moreover, according to a recent study[12], MNCs have increased their mark-ups by more than 60% in the last 40 years. Firms that are not making excess profits would pay nothing additional.

In this respect, the European Commission fact sheet published in May 2020 mentions a proposal for a levy *“on operations of companies that draw huge benefits from the EU*

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[10] See S. Lowry (2019), “Digital Services Taxes (DSTs): Policy and Economic Analysis”, Congressional Research Service.

[11] N. Shaxson, “Tax justice and the coronavirus”, 24 March 2020, TJN Blog.

[12] J. De Loecker & J.Eeckhout (2020), “Global Market Power”

single market" that could be considered as a rather interesting proxy, as long as one defines properly what the exact meaning of "*benefiting from the EU single market*" is.

Behavioural taxation

We need to change the paradigm and build a resource-efficient, less polluting, circular economy[13] while at the same time decreasing the part of profits devoted to financial activities disconnected from the real economy. The ETUC is also preparing a resolution on the Fit for 55 package within the Green Deal climate actions intended to be proposed in the coming weeks and will come up with additional proposals on the CBAM and EU ETS systems.

Environmental taxation

Carbon taxes are no silver bullet to solve the climate crisis. However, in a broad package alongside regulatory requirements and public investment providing green alternatives, carbon taxes incentivise sustainable behaviour. To send clear price signals across member states, the planned revision of the Energy Tax Directive could be used to implement an EU-wide carbon tax that should be coordinated with the necessary changes in the EU Emissions Trading System (ETS).

It should however be made sure that such taxes do not increase energy poverty across Europe, and do not prevent EU citizens from accessing basic needs such as heating and cooling their homes or affordable transportation. As carbon taxes hit low- and middle-income households harder, regressive distributional effects have to be offset by appropriate tax recycling mechanisms at the member state level. Studies show that lump transfers (also called eco bonuses) perform better than tax recycling via the reduction of social security contributions or income taxes, which exacerbate the regressive effects of the carbon tax.

When it comes to revenues generated by the EU ETS or the future Carbon Border Adjustment Mechanism, ETUC strongly recommends to use these revenues to increase further the Innovation Fund, the Modernisation Fund and the Just Transition Fund as this would help secure funding to manage the transition, especially in those regions and countries most affected by decarbonisation. The ETUC insists that these revenues should be earmarked to finance climate action (including measures to decarbonise sectors covered by the ETS) or used to counter potential negative social and economic consequences resulting from the decarbonisation process. Such revenues should not be used to feed the general EU budget or to reimburse debts coming from Next Generation EU, unless if strictly used to cover climate related investments[14].

Taxing financial transactions

The Commission's proposal originally launched in 2011, the Financial Transaction Tax (FTT), was estimated to generate €57 billion per year[15] and to cover 85% of financial transactions in EU. This however did not find unanimous support in the Council, even though it came at a time of consensus that financial instruments must be better regulated. The proposal was supported by the ETUC. Already in 2010, the ETUC sent a letter to the European Commission demanding a European level FTT that raises money to finance recovery measures and that tackles purely speculative activities, since a European FTT applied to all financial transactions would significantly curb speculation.

[13] *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: A new Circular Economy Action Plan or a cleaner and more competitive Europe, COM/2020/98 final*

[14] *For more detailed recommendations on EU ETS and CBAM, please see ETUC resolution on « Fit for 55 » package, to be adopted at the March 2021 ETUC Executive Committee.*

[15] *European Commission (2011), "Financial Transaction Tax: Making the financial sector pay its fair share", Press release.*

By discouraging socially useless short-term and high-frequency trading, the FTT would help bring the financial sector to a level more consonant with the real economy. Research carried out by the ETUI[16] supports such a call by stating that "*all transactions of shares, bonds, derivatives, and currency units*" should be taxed, and provides answers for pension issues[17]. In 2013, the ETUC stated that *"The introduction of a FTT has become a serious matter of social justice in Europe. The ETUC will not accept any exemptions from the collection of FTT. It must have the largest possible scope. It has to cover derivatives, the "repo" market, "market making" activities, intra-group transactions, the OTC market, pension funds and government bonds"*. This demand is still valid today. Bearing this in mind we reject the Franco-German proposal to reduce the FTT to a stock exchange turnover tax, which should not even apply to all stock corporations.

To salvage the proposal, the Council approved the use of enhanced cooperation through which Member States could voluntarily enter negotiations and implement the tax if they reach an agreement. In its current state, the German Ministry of Finance estimates that the FTT will earn Member States €3.5 billion (a sum reduced by a factor of ten from the Commission's 2013 projection and covering financial transactions of only 500 companies in the EU), considering that the tax rate doubled, and the scope was narrowed[18]. Initially, it was a 0.1% levy on transactions of shares and bonds of publicly listed companies with at least €1 billion in market capitalisation and a 0.01% tax on derivatives. The current proposal is restricted to a minimum 0.2% tax on the transactions of shares only. The reduction of the FTT to a stamp duty on shares not only reduces tax revenues but also the FTT's potential to curb high frequency trading and improve financial stability. However, this is worth pursuing so that it establishes the principle for such a tax, leaving scope for considerable improvements and for more countries to join the scheme in the future. Similar proposals are gaining ground in the USA, as a result of the political shift in Congress and the President's economic team.

Tackling wealth inequality

In 2018, 82% of the global wealth increase went to the richest 1% of the world's population, while the poorest 50% - 3,7 billion people - did not benefit at all from this growth[19]. In 2019, the world's billionaires, 2153 people, had more wealth than the poorest 4,6 billion people combined[20], while millions of people worldwide are excluded from basic services, such as access to healthcare and social protection.

Indeed, while private investment as share of GDP is on decreasing long-term trend[21], distributed incomes (dividends) have been increasing at a faster pace than GDP, since the beginning of the century. Simultaneously, the labour income share is falling, and inequalities are on the rise. If we analyse the development of European income shares, it becomes evident that the poorest saw their wage share remain the same between 1990 and 2016, while the richest 1% and 10% saw their share increasing at the expense of the middle class. In this respect, it can be said that inequality has increased, even after the financial crisis. However, it is also clear that the main issue lies in the increase in the income share of the richest 1%. In Europe, while the full population experienced an income growth of 40% between 1980 and 2016, the bottom 50% income group saw

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[16] A. Botsch (2012), "Financial transaction taxes in the EU", ETUI Policy Brief N° 8/2012 European Economic, Employment and Social Policy

*[17] See also (*J.S. Henry, J. Christensen, D. Hillman and N. Shaxson, 2021), *Submission to New York State Assembly: the case for Financial Transactions Taxes, "The time for financial transactions taxes has returned".*

[18] Alternative estimates of the different proposals are also available in Yago Alvarez Barba (2020), The Impact of a Financial Transaction Tax on Economic Recovery and Financial Stability, R. Luxemburg Stiftung.

[19] See Oxfam (2018), Reward work, not wealth.

[20] See Oxfam (2019), Time to care, Briefing Paper.

[21] For a critic see M. Méaulle (2019), "Profit, investment and inequality: a preliminary view", in P. Scherrer, J. Bir, W. Kowalsky, R. Kuhlmann & M. Méaulle (2019), The future of Europe, ETUI

its income rise by only 26%, the top 10% increased by 58%, the top 1% by 72%, the top 0.1% by 76%, the top 0.01% by 87% and, finally, the top 0.001% by 120%[22].

Because high-income households can save a higher share of their income compared to poor families, wealth inequality is greater than income inequality[23]. Julius Bär estimates that the wealthiest 10% of European households, with a net wealth of at least €850 000, own 52% of total wealth, while the wealthiest 1% of European households have a net wealth of at least €1,5 million and own 27% of total European wealth. In addition, it can be assessed that the wealth accumulated by the richest households is concentrated in financial wealth compared to that in the lowest quintile. This implies an even greater level of inequality. Since the global economy started to recover from the financial crisis in 2009, asset price developments have, on balance, increased wealth inequality. Owing to the combined impact of bond, equity and house price developments, households have been able to realise capital gains varying from 8% for households in the lowest income group to 48% for the top 5%[24].

In addition to the decreasing trend in corporate tax rates, the EU-28 average top personal income tax (PIT) rate was in constant decline until 2009. 2010 was the first year, after more than a decade, in which more Member States raised the top PIT rate rather than reduced it. Since then, the average top PIT rate has been relatively stable[25]. This trend is also visible across the world[26]. Nonetheless, progressivity of PIT schemes has been decreasing in the recent decades, especially during the 1980s and 1990s, and this trend was reinforced since the wealthiest income earners have more opportunities for and access to tax relief. Finally, since the 1990s many PIT reforms have increased exemption threshold while lowering top PIT rates, and a shift occurred in the tax burden from very low and very high incomes toward the middle[27].

Even the IMF in its latest World Economic Outlook is stating that "*Although adopting new revenue measures during the crisis will be difficult, governments may need to consider raising progressive taxes on more affluent individuals and those relatively less affected by the crisis (including increasing tax rates on higher income brackets, high-end property, capital gains, and wealth)*". This would be even more welcomed since the pandemic has already seen an explosion in the asset values of the wealthy, while the global economy is experiencing one of its deepest crises.

Currently, many Member States still impose a lower tax rate for gains from stock trading or real estate sales than the top income tax rate on income from labour. This approach provides for an implicit tax break to the wealthiest citizens, who own much more assets, particularly financial securities.

However, although corporate and personal income taxation are a Member States' prerogative, it is of the utmost importance to tackle wealth inequality, which is consecutive to increased income inequalities, at the European level, given the very mobile nature of financial flows. It is worth noting that wealth-related taxes have recently

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[22] World Inequality Lab (2018), World inequality report

[23] European Commission (2018), "Tax policies in the European Union: 2018 survey", Luxembourg, Publications Office of the European Union.

[24] See J. Bär (2014), "Wealth report: Europe", September 2014, Zurich, Julius Bär; C. Balestra & R.Tonkin (2018), "Inequalities in household wealth across OECD countries: evidence from the OECD Wealth Distribution Database", Working paper No 88, Paris, OECD Publishing; ING (2016), "Household wealth in Europe. Post-crisis recovery leaves big differences between countries and households", Amsterdam

[25] See European Commission (2018).

[26] C. Gerber, A. Klemm, L. Liu & V. Mylonas (2018), "Income tax progressivity: trends and implications", IMF Working Paper 18/246, Washington DC, International Monetary Fund.

[27] IMF (2017), Fiscal monitor: tackling inequality, World Economic and Financial Surveys, October 2017, Washington DC, International Monetary Fund.

been, or about to be, introduced in Belgium and Spain to help finance the response to the Covid-19 pandemic.

Following E. Saez and G. Zucman[28], a net wealth tax (financial plus non-financial assets minus debts above an exemption threshold) could be implemented tailoring the scope to fit the asset portfolios of the wealthiest European citizens. Such a progressive tax could initially be implemented as a crisis-fighting tool, with a high threshold tackling only very wealthy households as it was the case in post-war situations[29], with the ambition to decrease the threshold to reach a satisfactory level to enhance tax justice. Annual net wealth taxes should be levied at progressive marginal tax rates above the exemption threshold. Instead of a wealth tax, a European wealth levy should also be considered, to be paid in instalments over a longer period of time.

Conclusion

In conclusion, and as a consequence of the reasons mentioned in the introduction, the ETUC demands, and considers as a priority in order to generate significant resources over the long run, are:

- To relaunch as soon as possible the CCCTB process in Council on the bases of the two Parliament reports including digital permanent establishments, independently from an international outcome on the profit reallocation issue for taxation purposes;
- To implement a 25% nominal minimum corporate tax rate at the European Union level (or a minimum effective tax rate) using the OECD Pillar 2 framework as a background.
- For such framework to be fully efficient the adoption of the Council public Country-by-Country directive subject to improvements as called for by the ETUC and tax justice civil society organisations, and to amend the list of tax havens to make it more transparent, effective and inclusive as called for by the European Parliament in an own initiative report;
- With such a framework in mind, part of the additional revenue gained (or a definite percentage of the profits earned, assuming revenue will increase) through a more adequate taxation scheme for MNCs, could be devoted to the EU own resources.
- Moreover, the ETUC demands the Implementation of a tax on excess profit, given both the soaring of profit in some sectors and the global decrease in corporate tax rates.

In the very short-term and according to political considerations, and although DST cannot be considered as a tool to fight tax avoidance, if no agreement is reached at international or European level on profit reallocation, and with the view to increase revenue quickly, the ETUC could consider the implementation of a DST at the European level.

In addition, the revision of the Energy Tax Directive could be used to implement an EU-wide carbon tax to encourage more sustainable behaviour. As carbon taxes hit low- and middle-income households harder, it should however be made sure that any regressive distributional effects are offset by appropriate tax recycling mechanisms at the member state level, such as direct lump transfers.

Finally, the ETUC demands the adoption of a Financial Transaction Tax with the largest base achievable; and positively assesses the implementation of a progressive net wealth taxation at the European level that is not at the expense of national tax structures. Alternatively, consideration should also be given to levying a portion of very large estates. This levy should be paid in instalments over a longer period of time so that it can be implemented most effectively.

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[28] *E. Saez & E. Zucman (2019), "Progressive Wealth Taxation", Brooking Papers on Economic Activity.*

[29] *See IMF Fiscal Monitor 2013, IMF*