The aim of this Policy Brief is to explore how could solidarity be achieved for the European Union on the field of taxation. The EU has been doing some efforts to equal member countries taxations systems, however; some Member States, such as Ireland or Hungary, have shown very little interest in fostering a more equal taxation union. At the same time, the intergovernmental structure of the EU does not encourage Member States to pursue a common taxation system. Giving this situation, the European Union has found herself drawn by a “solidarity deficit”; the example of the Republic of Ireland is paradigmatic of this situation.

During the Eurozone crisis, Ireland was one of the most affected countries. In November 2010, the country had to be rescued and suffered from the implementation of serious social cuts. Despite this, since 2015 its growth has been spectacular and Ireland’s economy has developed on a 26,3% (European Comission, 12/07/2018). Part of this economic miracle is due to the tax policies apply by the Irish government, which by lowering taxes and fiscal duties has been able to further its economic growth on 10% (European Comission, 12/07/2018). Hence, international big companies, such as Apple, Google or Facebook find it more appealing on a tax level to reside in Ireland.

For countries like Greece and Spain that are still suffering the consequences of the euro crisis, the millions of Euros that these companies are tax avoiding is simply unacceptable. Moreover, this situation recalls on a democratic deficit and the growth of the division sentiment within...
Member States. Without forgetting that Brexit will open an unpresented gap on tax revenues and it will probably lead to more inequality between members. Because of this, the European Union has to be prepared to promote tax solidarity and a common way of understanding taxes.

The following policy solutions could be promoted:

- Foster a tax harmonization plan in the EU. By doing so the EU will achieve a higher degree of solidarity and equality between Member States. A tax harmonization plan will position each and every member of the EU on the same level. Therefore, countries that are finding it harder to become economically competitive again will have the same opportunities. At the same time, this harmonization goes in favor of a more open and democratic EU.

- Support the developing of an EU Code of Conduct on Business taxation. This Code states that Member States refrain to engage in harmful forms of tax competition. Harmful forms of tax competition are very diverse; the EU should attempt to fight all of them, from tax avoidance to tax evasion. This Code of Conduct will also facilitate EU’s capacity to sue big companies.

- Strive to get over the intergovernmental structure in order to tackle tax inequalities. This structure is one of the biggest obstacles for the EU when it comes to solidarity, tax policy is just one of the multiple examples we can speak about. As long as Member States continue to look at their own interests without looking at the interest of the community, solidarity will never be achieved.

References


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