Tax transparency: Commission welcomes agreement reached by Member States on the automatic exchange of information on tax rulings

Brussels, 6 October 2015

The Commission has welcomed today's unanimous agreement by Member States on the automatic exchange of information on cross-border tax rulings, just seven months after the presentation of the Commission's ambitious proposal on the subject.

The new rules should lead to greater cooperation between Member States on tax matters and act as a deterrent from using tax rulings as an instrument for tax abuse. All Member States will be equipped with the information they need to protect their tax bases and effectively target companies that try to escape paying their fair share of taxes. The agreement was reached at a meeting of Economic and Financial Affairs ministers in Luxembourg.

Following the announcement of the agreement, Jean-Claude Juncker, President of the European Commission said: "I warmly welcome today's agreement as a major step forward. The automatic exchange of information on tax rulings will provide national authorities with insight on aggressive tax planning. It marks a leap forward in our efforts to advance on tax coordination and tax harmonisation. The current system of corporate tax rules is unjust and unfit for purpose. There is a plethora of national rules that allows some companies to win, while others lose out. This unfair competition is anathema to the principles of fair competition within our Internal Market."

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: "All EU Member States have today agreed to share more information on tax rulings given to companies which operate cross-border. This is a major step in combating aggressive tax planning, creating greater transparency in corporate taxation and in providing fairer competition for both businesses and consumers. I see today's agreement as an important signal that Member States are ready to deliver on our common goal of fair and effective taxation. The EU will continue to work to implement these transparency rules worldwide."

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What are the key elements of the new rules?

Currently, Member States share very little information with one another about their tax rulings. It is at the discretion of the Member State to decide whether a tax ruling might be relevant to another EU country. As a result, Member States are often unaware of cross-border tax rulings issued elsewhere in the EU which may have an impact on their own tax bases. The lack of transparency on tax rulings can be exploited by certain companies in order to artificially reduce their tax contribution.
To redress this situation, the new rules agreed today will require Member States to automatically exchange information on their tax rulings. The directive will remove Member States discretion to decide on what information is shared, when and with whom.

These rulings - defined widely so as to capture all similar instruments and irrespective of the actual tax advantage involved - will have to be exchanged every six months. The agreement will also cover existing rulings of the past five years. Member States will then be able to ask for more detailed information on a particular ruling.

The automatic exchange of information on tax rulings will enable Member States to detect certain abusive tax practices by companies and take the necessary action in response. It is expected that this initiative will deter tax authorities from offering selective tax treatment to companies once this is open to scrutiny by their peers. This will result in much healthier tax competition.

In addition, the Commission will regularly receive the information it needs in order to monitor the implementation of this directive and ensure that Member States are complying with their responsibilities.

Member States will have to transpose the new rules into national law before the end of 2016, meaning that the Directive will come into effect on 1 January 2017.

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