Submission on European Commission Roadmap on Taxation- More Efficient EU Law Making Procedures

January 2019

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses and represent their views.

As part of our engagement with the Commission's public consultation on the latest Roadmap on Taxation, we consulted with member chambers and businesses to gauge their views on the proposal.

Tax sovereignty is crucial if small economies are to be competitive

Unanimity was introduced in the area of taxation due to the sensitively of the particular policy area for many member states. Countries such as Ireland depend on using taxation policy to attract investment and increase their competitiveness relative to neighbours and other larger countries.

While there are many issues that should be tackled from by a collective European entity, it must be made aware that Member States remain economically very different, especially small countries in comparison to the larger states. If the smaller countries favour unanimity in taxation, and larger countries prefer QMV in such matters, the motivations behind the change becomes mismatched and flawed. Therefore, QMV will allow larger countries to act on issues that may increase the total EU economic prosperity, but it will economically damage the smaller states that depended on taxation tools in the medium and long run.

To ensure that all Member States benefit from a harmonised EU tax policy, all Member States therefore, must agree to the measure adopted in the taxation field. While some policy changes may positively impact a handful of Member States, countries that present only negative effects as a result of change should reserve the right to protect themselves from counter-effective legislation. It must also be noted that unified EU to address tax policy matters through collaboration have been effective in the past under the current voting system of unanimity and can continue to do so in the future.

Taxation issues should be dealt with at the international level to maintain competitiveness

International action on tax issues (via OECD) is preferable in the long-term if complex issues like taxation of digital companies, limiting tax-avoidance is limited, amongst others are efficiently dealt with.

If this is not the case, the EU is at a competitive disadvantage when it comes to attracting investment and retaining investment. The political international economy faces increased volatility and turmoil in light of the change in trade dynamics. With a digital tax mostly affecting non-European countries, taking collective action at the European rather than International level, may only help to intensify trade hostilities.

Too much political uncertainty

Europe over the past decade has faced political, cultural and economic turmoil. From the financial and immigration crisis to the UK departure from the EU, a new political economy of Europe has emerged. Political parties and citizens on the fringes have become disenfranchised with the European project and its direction. Attempts to Europeanise policy areas that are exclusive Member States competences at present, does not bring those sceptical of the European Union any closer. In fact, it rather feeds into their ideology that the EU overrides national sovereignty.

In addition, taxation is and has always been a very sensitive issue for citizens. By using a *Passerelle clause*, as a means to change tax voting rules, will create further political tensions and divisions in Europe. Rather than making changes in new areas that will create turmoil, efforts should be made to revisit existing policy that will reunite European citizens.