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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL, THE
EUROPEAN PARLIAMENT AND THE EUROPEAN ECONOMIC AND SOCIAL
COMMITTEE**

Promoting Good Governance in Tax Matters

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1. INTRODUCTION

With the current financial and economic crisis, national budgets and tax systems are under increased threat and the need for international tax cooperation and common standards (i.e. "good governance in the tax area") has become a regular feature of international discussions.

Globalisation, or the increasing economic integration of markets that is being driven by rapid technological change and policy liberalisation, is providing great opportunities in the world. Many countries draw a massive dividend from this phenomenon. For the EU, it has been estimated to account for at least a fifth of Europe's income gains since World War II¹. But there are also social and economic downsides to globalisation. Countries can, for example, become more vulnerable to economic turmoil, as is evident at present, and to tax avoidance and evasion. In a world where money moves freely, "tax havens", and insufficiently regulated international financial centres that refuse to accept the principles of transparency and information exchange can facilitate or even encourage tax fraud and avoidance, negatively affecting the tax sovereignty of other countries and undermining their revenues. According to an OECD estimate at the end of 2008, the world's tax havens have attracted between \$5 trillion and \$7 trillion² in assets, although the degree of secrecy surrounding these accounts makes it difficult to determine exactly just how much is located in these individual jurisdictions. With national budgets and, therefore, social and other policies under severe strain this is an extremely serious problem.

Rejecting globalisation and closing up markets because of these negative effects would be counterproductive. From the EU perspective, a viable option, therefore, is to manage the effects better by means of agreements with third countries on as broad a geographical basis as possible covering common standards and cooperation, including in tax matters. Fair and efficient tax systems not only play an essential role in ensuring a level playing field for economic relations, trade and investment but also provide the financial basis for all public spending. This translates as good governance in the tax area, which is not only an essential means of combating cross-border tax fraud and evasion but can also strengthen the fight against money laundering, corruption and the financing of terrorism. There is clearly a growing global consensus on the need for a continuing co-ordinated response to this problem, consisting of complementary initiatives in the areas of financial regulation and taxation.

The G20 countries, in their action plan of November 2008, agreed to work on the international application of rules of transparency in financial matters and administrative cooperation in the tax area. EU Finance Ministers, in the paper that they presented to the European Council meeting in December 2008³, called for the continuation of the fight against illicit finance risks arising from non-cooperative jurisdictions, and against tax havens. In their contribution to the G20 Ministerial and Governors' meeting of 14th March 2009, EU Finance Ministers underlined the "need to protect the financial system from non-transparent, non-cooperative and loosely regulated jurisdictions, including offshore centres", asked for a "toolbox of sanctions" and stressed the need to strengthen "action to achieve international good

¹ "Globalisation: Trends, Issues and Macro Implications for the EU", *DG-ECFIN Economic Paper*, No. 254 (Brussels: European Commission, 2006).

² Remarks by Angel Gurría, OECD Secretary-General, at the Conference on the Fight Against International Tax Evasion and Avoidance, Paris, France, 21 October 2008.

³ Council document 16095/1/08 REV 1.

governance in the tax area (transparency, exchange of information and fair tax competition)". The European Council of 19-20th March confirmed this line. At the G20 Leaders summit in London (April 2, 2009), the Leaders agreed "to take action against non-cooperative jurisdictions, including tax havens", they declared themselves to be "ready to deploy sanctions to protect [their] public finances and financial systems", and that "the era of banking secrecy is over". In the run-up to the G20 meeting, many jurisdictions reacted by indicating their willingness to apply international standards of transparency and information exchange from now on⁴

This Communication aims to identify the particular EU contribution to good governance in the area of direct taxation. It considers:

- how good governance could be improved within the EU,
- the particular tools that the European Community and EU Member States may have at their disposal to promote good governance internationally, and
- the scope for more co-ordinated action by EU Member States, so as to support, streamline and complement international action taken in other fora such as the OECD and the UN.

2. ELEMENTS OF GOOD GOVERNANCE IN THE TAX AREA

2.1. Existing tax cooperation within the EU

EU Finance Ministers, meeting in Council (ECOFIN) on 14 May 2008, defined good governance in the tax area as meaning the principles of transparency, exchange of information and fair tax competition.

Within the Internal Market there are common rules, including on company law and on taxation⁵, that are designed to allow companies and individuals to derive maximum benefit from open borders. These rules are having beneficial effects, in particular in reducing compliance costs and encouraging cross-border investment. But the increasing integration of economies in the Internal Market is also creating new challenges. Open borders can, for example, put tax systems under pressure and make it more difficult to raise an adequate level of revenue to finance public expenditure.

Member States are, under Community law, largely free to design their direct tax systems in a way that best meets their domestic policy objectives and requirements. However, during the last decade, they have reached common agreement on several ways of tackling the erosion of tax bases and investment allocation distortions. In doing so, they have acknowledged that individual national and bilateral measures can only partly address tax erosion problems and that EU-wide cooperation is vital. Member States have agreed on several measures which are designed to promote better governance in the tax field within the EU, as follows:

⁴ <http://www.oecd.org/dataoecd/38/14/42497950.pdf>

⁵ http://ec.europa.eu/internal_market/score/relateddocs/index_en.htm

- *Administrative cooperation including information exchange* - A "Mutual Assistance" Directive⁶ provides for information exchange on direct tax between tax authorities. A Directive on recovery of tax claims⁷ establishes a regime whereby one Member State may request assistance from another in the recovery of claims relating to taxes, duties and levies. The Savings Taxation Directive⁸ enables tax administrations to exchange information automatically, although it applies only to the interest income from savings of individuals and three Member States have been authorised to apply a withholding tax on a transitional basis.
- *Harmful tax competition* - The legal instruments on administrative cooperation are complemented by a political agreement between Member States to tackle harmful tax competition in the area of business taxation under a peer review process. The "Code of Conduct for business taxation"⁹ defines harmful tax measures as measures (including administrative practices) which affect or may affect in a significant way the location of business activity in the Community, and which provide for a significantly lower level of taxation than those that generally apply in the Member State concerned. Under the Code, which applies both to Member States and to their dependent and associated territories, over 400 business taxation measures have been assessed and over 100 of these, being considered harmful, have been removed or amended.
- *State aids* - In addition, EU state aid policy as applied to fiscal state aids¹⁰ has contributed to removing distortions of competition resulting from specific business tax regimes introduced by individual Member States.
- *Transparency* - These tax initiatives are complemented by the existence of company laws and rules that ensure corporate and financial transparency.

2.2. International tax cooperation discussions

The work in the EU on improving tax cooperation reflects many of the underlying principles that have driven OECD activity against harmful tax competition over several years. The OECD work is twofold:

- It aims to identify and dismantle the preferential tax regimes of its 30 member countries, using criteria that are close (although with a narrower scope) to those in the EU's Code of Conduct for business taxation.
- It has also been extended to non-OECD countries, including a number of so-called "tax havens"¹¹, and political commitments were obtained from 35 of these jurisdictions to

⁶ Council Directive 77/799/EEC of 19 December 1977, as amended by Directive 2004/56/EC of 21 April 2004.

⁷ Council Directive 2008/55/EC of 26 May 2008.

⁸ Council Directive 2003/48/EC of 3 June 2003

⁹ http://ec.europa.eu/taxation_customs/taxation/company_tax/harmful_tax_practices/index_en.htm#code_conduct

¹⁰ (i) Commission notice 98/C 384/03, Official Journal C 384 of 10/12/1998 p. 3; (ii) "Report on the implementation of the Commission notice on the application of the state aid rules to measures relating to direct business taxation", C(2004) 434 of 9/2/2004.

¹¹ As defined in the 1998 report "Harmful tax competition: an emerging global issue". The OECD lists four key factors to determine whether a jurisdiction is a tax haven – i) the jurisdiction imposes no or

establish genuine cooperation with OECD members on transparency and exchange of information in tax matters. Given the expectation that the G20 meeting of 2 April 2009 would draw up a list of jurisdictions having made insufficient progress in the implementation of the widely agreed international tax standards developed by the OECD, several jurisdictions have also recently made commitments to the standards, including Switzerland, Austria, Belgium, Luxembourg, Hong Kong, Macao, Singapore, Chile, Andorra, Liechtenstein, and Monaco. These commitments are essentially to adhere to the OECD international standard, which requires exchange of information on request in all tax matters for the administration and enforcement of domestic tax law, without regard to a domestic interest requirement or bank secrecy for tax purposes in the requested jurisdiction. The OECD standard also provides for extensive safeguards to protect confidentiality of the information exchanged. Immediately following the G20 meeting, the OECD reported on the implementation of the internationally agreed tax standard by the jurisdictions surveyed by the OECD Global Forum.

The Commission welcomes the important commitments that have been made recently, and looks forward to their implementation. It will propose coordinated action by Member States to ensure an appropriate follow-up, where this is in the interest of the EU. The "Declaration on Financing for Development"¹² of the UN follow-up International Conference on Financing for Development to review the implementation of the Monterrey Consensus contains strong commitments towards tax reform, advocating efforts to enhance tax revenues through modernised tax systems and more efficient tax collection, to broaden the tax base and to combat tax evasion effectively.

3. EU INTERNATIONAL POLICY ON GOOD GOVERNANCE IN THE TAX AREA

3.1. Commitments made at EU level

The EU policy on good governance in the tax area has evolved over the years on the basis of a series of Commission initiatives¹³, leading to the adoption of conclusions on good governance in the tax area by EU Finance Ministers meeting in the Council (ECOFIN) on 14 May 2008. The ECOFIN recognised the need to promote, on as broad a geographical basis as possible, the principles of good governance in the tax area. As a result it requested that a provision on good governance in the tax area be added to relevant agreements that are concluded by the Community and its Member States with third countries or third-country groupings. The objective is not to target tax havens per se but to reach agreement with as many third countries as possible on common principles of cooperation and transparency.

only nominal taxes; ii) there is a lack of transparency; iii) there are laws or administrative practices that prevent the effective exchange of information for tax purposes with other governments on taxpayers benefiting from the no or nominal taxation; iv) there is an absence of a requirement that the activity be substantial.

¹² Doha Declaration, 29 November to 2 December, 2008.

¹³ Communications on Preventing and Combating Corporate and Financial Malpractice (COM(2004)611), on Caribbean countries (COM(2006)86), on Pacific (COM(2006)248) countries, on Hong-Kong and Macao (COM(2006)648), on Governance and Development (COM(2006)421 and on EU competitiveness (COM(2006)567).

Moreover, the ECOFIN, in its submission to the European Council in December 2008¹⁴, gave an extra impetus to this effort by agreeing, in line with the work carried out at international level in various fora, to continue to fight against illicit finance risks arising from non-cooperative jurisdictions, and to fight against tax havens.

3.2. Ongoing actions

The EU has taken a number of measures in different areas to ensure that third countries adhere to good governance principles in the tax area or to related principles.

Savings tax - Measures that are the same or equivalent to those laid down in the EU Savings Taxation Directive apply in a number of third countries¹⁵ and dependent and associated territories of Member States, some of which were previously identified by the OECD as tax havens. The Commission has also, on the basis of a mandate from the ECOFIN, conducted exploratory talks with Hong Kong, Macao and Singapore on the application of provisions equivalent to those in the Savings Taxation Directive. These have not yet resulted in the opening of any formal negotiations.

Code of Conduct - When adopting the EU Code of Conduct for business taxation, EU Member States committed themselves both to ensuring that the principles of abolishing harmful tax competition are applied also in Member States' dependent or associated territories and to promoting these principles among third countries. The latter issue is part of the 2009 to 2010 work programme of the EU Code of Conduct group.

EEA and Switzerland - The EU has close relations with the countries in the European Economic Area (EEA) (Iceland, Liechtenstein and Norway) and with Switzerland. The body of EU law relating to the internal market applies directly to the countries in the EEA, while rules equivalent to EU state aid rules are contained in the EEA agreement and enforced by the EFTA Surveillance Authority. Similar rules apply to Switzerland under the 1972 EU-Switzerland Free Trade Agreement. This limits the scope for distortive tax regimes in those countries and, in fact, the Commission has recently challenged some Swiss business tax regimes granting benefits that it regards as state aids. The ECOFIN Council has urged Liechtenstein to deepen its cooperation with the EU regarding administrative and judicial tax cooperation and the fight against fraud, and negotiations on a new EU-Liechtenstein anti-fraud agreement are ongoing, including on the issue of information exchange for direct taxation. The recent commitment of Liechtenstein to the OECD standards of transparency and information exchange should give new impetus to these negotiations.

European Neighbourhood Policy - A number of Action Plans concluded with countries covered by this Policy include general references to cooperation in tax matters. Many also make specific reference to the principles of transparency, exchange of information and to the Code of Conduct for business taxation. The Action Plans are tools for economic and political cooperation between the EU and partner countries, carrying to a further stage the commitments and objectives contained in Partnership and Cooperation Agreements.

Enlargement policy - Enlargement policy requires candidate and potential candidate countries gradually to transpose EU legislation into their national laws, including in tax matters. Upon

¹⁴ Council document 16095/1/08 REV 1.

¹⁵ Switzerland, Liechtenstein, San Marino, Monaco and Andorra.

their accession to the EU, candidate countries are required to implement fully the entire EU body of law; in this regard, good governance is one of the areas the enlargement strategy aims to address at an early stage of the pre-accession process.

Implementation of the Council conclusions of May 2008 - The Commission has commenced negotiations with a number of third countries on a provision concerning good governance in the tax area as agreed by the ECOFIN Council in its conclusions of May 2008. This process has just started, and results are expected in the near future. The Commission welcomes the positive reaction of some third countries. However, the case of those jurisdictions that have so far rejected this idea must also be examined.

Development Cooperation policy - The Commission has provided additional support to developing countries that are willing to commit to the principles of good governance, including in the tax area. The European Neighbourhood and Partnership (ENP) Governance Facility, based on Articles 2(1) and 7 of the ENP Instrument, provides funding, in addition to national allocations, to those partner countries that are assessed to have made the most progress in implementing the governance-related objectives of their agreed reform agenda as set out in their ENP Action Plans (which contain both general and specific commitments on governance-related reforms). An incentive is also now provided under the 10th European Development Fund (EDF) (covering the years 2008 to 2013) through the Governance Initiative, whereby the EU offers additional funding to support governance dialogue and reform, including in the tax area. Countries eligible for development aid which, after assessment based on the elaboration of a governance profile, undertake detailed commitments (Governance Action Plan), may receive an additional allocation depending on the quality of their commitment. A number of Caribbean and Pacific countries have now undertaken such commitments¹⁶ but others have, to date, refused or have not, at any rate, yet taken up this offer¹⁷. A number of Overseas Countries and Territories (OCTs) for which Member States have responsibilities have made commitments to the OECD on standards of transparency and exchange of information.¹⁸

4. HOW TO STRENGTHEN THE PRINCIPLE OF GOOD GOVERNANCE IN THE TAX AREA WITHIN THE EU AND INTERNATIONALLY

Promoting good governance in the tax area must involve a combination of better tax governance within the EU and actions aimed at third countries. Good governance in the tax area within the EU will strengthen Member States' efforts in fighting against tax fraud. At the same time, the argument for other jurisdictions to engage in efficient and effective administrative cooperation with the EU will be reinforced. In any event, under equal treatment rules, a Member State should provide to another Member State the level of cooperation that it has accepted in relation to a third country.

The Commission believes that the following actions are needed :

Existing internal initiatives being taken

¹⁶ http://ec.europa.eu/development/geographical/methodologies/strategypapers10_en.cfm

¹⁷ Antigua and Barbuda, the Bahamas and Liberia have not undertaken commitments on tax issues under the 10th European Development Fund.

¹⁸ See footnote 10.

The Commission calls on the Council to adopt as soon as possible the Commission proposals referred to below in points i), ii) and iii), and to give appropriate priority to the action proposed in point iv).

- i) The Commission presented a proposal¹⁹ in February 2009 to replace the current Mutual Assistance Directive. The proposal would, besides creating new practical tools to enhance administrative cooperation (common forms, formats, channels and organisation), introduce two important new elements that the Commission considers indispensable to reinforce EU action at international level against tax fraud and evasion. First, it would introduce a most favoured nation clause whereby Member States would be obliged to provide to another Member State the level of cooperation that they have accepted in relation to a third country. Second, and most importantly, the proposal would prohibit Member States from invoking bank secrecy for non residents as a reason for refusing to supply information concerning a taxpayer to his or her Member State of residence.
- ii) Together with the Mutual Assistance proposal, the Commission also presented a proposal²⁰ to replace the existing Directive on recovery of tax claims. The proposal aims to increase the efficiency of assistance so as to enhance tax administrations' capacity to recover unpaid taxes, and thus contribute to the fight against tax fraud.
- iii) The Commission's proposal presented in 2008 to amend the Savings Directive²¹ seeks to extend the coverage of the Directive to certain interest payments to EU residents which are channelled through intermediate tax-exempted structures established in non-EU countries. The proposal also makes other suggestions on improvements to the savings tax measures. Rapid adoption of all the changes would ensure a more effective system. The Commission calls on the Council to reach a political agreement rapidly on amendments to be made to the directive. This will ensure that the application of these improvements to the working of the savings measures can be put to the other jurisdictions that apply the same or equivalent measures as quickly as possible.
- iv) Work on the standstill and rollback of harmful business tax measures in EU Member States under the Code of Conduct for business taxation should continue.

EU-level arrangements with third countries

- v) **The Council should give the issue of good governance in the tax area appropriate political priority** The negotiating of provisions on good governance in the tax area with third countries within general agreements should be improved by the following measure : a reference to good governance in the tax area should be mentioned as early as possible in the process, e.g. in the negotiating directives given to the Commission by the Council, while having regard to the specific nature of the agreement.

¹⁹ COM (2009) 29 of 2 February 2009.

²⁰ COM (2009) 28 of 2 February 2009.

²¹ COM (2008) 727 of 13 November 2008.

- vi) In cases where it is known in advance that discussion of the principles of good governance in the tax area will be contentious, or where such principles are not understood, political dialogues between the EU and third countries should address the issue in advance of trade related-negotiations, so as to facilitate those negotiations.
- vii) The Council should give the Commission sufficient flexibility in its negotiations on wording, while preserving the substantial elements and objectives of good governance, so as to be able to negotiate solutions that best fit the specific case of each country.
- viii) **The content of such agreements should, where appropriate, also include provisions similar to those applicable within the EU under State aid rules.** This would improve fair competition between Member States and third countries in the area of business taxation. It should, for example, make it possible to tackle distortive practices unduly detrimental to EU Member States' budgets and businesses, and not necessarily addressed by WTO rules.
- ix) Specific agreements in the tax area containing, if appropriate, provisions on transparency and exchange of information for tax purposes at EU level could be considered, to accelerate the process of implementing commitments to greater transparency and exchange of information made by certain jurisdictions.
- x) The Savings Taxation Directive includes a special arrangement for three Member States to charge EU-resident foreign account-holders a withholding tax instead of applying information exchange as other countries do. Liechtenstein, Switzerland, Monaco, Andorra and San Marino have savings tax agreements with the EU that also provide for a withholding tax instead of information exchange. The Directive envisages that all EU Member States will eventually move to automatic information exchange in an arrangement that depends on the adoption by the above-mentioned third countries of the 2002 OECD standards on information exchange. It is important to promote this move towards a wider use of information exchange by the third countries in question in order to achieve the overall aim of the Directive. Recent commitments by the remaining four²² of the five countries named above to the OECD standards of transparency and information exchange signals that the moment has come to assess whether the transitional period should now come to an end, with all EU Member States moving to automatic exchange of information.

There is also a clear need to carry forward the discussions with other third countries, in particular Singapore, Hong-Kong and Macao, in the light of the new consensus on transparency and exchange of information, to explore with these jurisdictions the application of appropriate equivalent measures to those contained in the savings directive.

- xi) As regards the Code of Conduct for Business Taxation, the Commission believes that the Council Group should develop a coherent policy of coordinated action toward third countries engaging in harmful business tax practices, such as by adopting a common approach to the application of anti-abuse measures. This should be a

²² San Marino is committed since 2000

priority when implementing the Group's work programme adopted by the EU's Finance Ministers in December 2008

Development cooperation incentives

- xii) **The coherence between EU financial support and provision of access to EU markets to particular countries and their level of cooperation with the principles of good governance in the tax area should be considered.**
- xiii) The Commission believes that efforts at EU level to promote good governance in the tax area in third countries eligible for development aid should be enhanced by the following actions:
- Monitoring, under the Mid-Term Reviews (MTR) of aid programmes, the state of play of good governance, so as to be able to take appropriate measures when relevant; more specifically, in the context of the 10th EDF MTR; assessing the implementation of commitments on good governance in the tax area that have been made by some countries; considering a reallocation of funds towards countries that are implementing satisfactorily their commitments; and, conversely, considering a cancellation of funds earmarked for those countries that did not implement their commitments.
 - Provision of the necessary technical assistance to help countries to meet their commitments on good governance in the tax area. If a country so requests, technical assistance could also be provided for the design of an efficient tax system which would allow the country to mobilise better its available resources.
 - Proposing the inclusion of a specific provision related to good governance in the tax area under the review of the Cotonou agreement.
- xiv) The Commission also intends to consider the feasibility of introducing an additional criterion in the eligibility evaluation for the allocation of funds under the current external instruments of the Community that would be linked to the application by third countries of the principles of good governance in the tax area. Furthermore, the possibility, under the next Financial Perspectives, of additional funding for cooperative jurisdictions could be evaluated, for instance for technical assistance or for secondment of experts.
- xv) The EU is a major donor. The Commission believes that policy coherence in relation to third countries is essential for the purpose of developing the principles of good governance in the tax area. EU Member States, under their bilateral assistance programmes, must, therefore, take measures similar to those indicated above. EU coordination at country level will be enhanced with a view to ensuring maximum synergy. The EU calls on other donors also to improve the coherence of their policies and will seek a more coordinated approach between donors in this respect.

International tax policy coordination

- xvi) The extent of coherence between the principles of good governance in the tax area and Member States' own tax policies, including bilateral tax treaties with third countries, should also be examined. It would be important to ensure that Member

States do not, through their bilateral tax treaties, open up new opportunities for tax avoidance of other Member States' tax systems or for circumvention of EU directives. At the same time, the existence of good-governance obligations in EU-level agreements with third countries would provide bargaining strength for Member States in their bilateral negotiations with those countries.

- xvii) Member States should also establish a more unified approach towards third countries linked to whether or not those countries apply the principles of good governance in the tax area. For instance, a third country implementing these principles could be removed from Member States' national "blacklists" so as not to be subjected to anti-abuse measures in relation to the tax practices concerned. Conversely jurisdictions not implementing in a satisfactory way key aspects of good governance in the tax area applied by EU Member States could be subjected to coordinated counter measures. For instance, the G20 Leaders have agreed to develop a toolbox of effective counter measures to be further considered²³. The Commission believes that the content and eventual use of such a toolbox should be the subject of discussion with the Member States to take into account the particular rules and practices of the EU.
- xxiii) The Commission believes that better coordination of EU Member States' positions in discussions at the OECD, G20 and UN on international good governance in the tax area is necessary to ensure greater leverage in dealings with non-cooperative countries.

5. CONCLUSION

The European Union and its Member States face serious challenges in addressing the current economic and financial crisis. The crisis has exacerbated concerns about the sustainability of tax systems in the face of globalisation. The promotion of good governance in the tax area on as broad a geographical basis as possible is now recognised to be the appropriate way of addressing these concerns. It balances the tax sovereignty of individual countries with the legitimate protection of tax revenues.

Accordingly, the EU and its partners have a strong common interest at this time in promoting tax cooperation and common standards on as wide a geographical basis as possible. The time is now right for Member States and third countries to work together and to encourage and support the move that has now started towards a broader acceptance of international standards of tax co-operation

This Communication presents for consideration a series of steps to promote good governance in the tax area, entailing action both within and outside the EU and both at EU and at individual Member State levels. The Commission believes that:

- if good governance in the tax area is improved internally, EU Member States will benefit and the argument for other jurisdictions to engage in efficient and effective administrative cooperation with the EU will be strengthened. Member States should, therefore, adopt as soon as possible the Commission proposals for

²³ <http://www.londonsummit.gov.uk/resources/en/PDF/annex-strengthening-fin-system>

Directives on administrative cooperation, mutual assistance in the recovery of taxes and savings taxation and continue to give appropriate priority to the elimination of harmful business tax regimes.

- improved policy consistency and coordination at EU level would assist in promoting good governance in the tax area on a wider geographical basis, the objective being to ensure that the deepening of economic relations between the EU and its partner jurisdictions would be accompanied by agreement on principles of good governance in the tax area followed up by tax co-operation agreements where appropriate. The EU should also seek a more coordinated approach worldwide between donors as regards the coherence of policies.
- having full regard to the principle of subsidiarity, there is a need to ensure more coherence between Member States' individual positions in the international tax arena, and the agreed good governance principles, such as in bilateral tax treaties with third countries and in international fora. This requires a greater degree of coordination at EU level so as to ensure that the momentum towards a more open and constructive tax co-operation continues at a global level.

The Commission intends to pursue constructive dialogue with all stakeholders concerned in connection with the principles and practical implementation of the measures identified in this Communication, and it will review and report on the situation in 2010.

The Commission believes that the momentum that has been generated by the G20 Leaders in pushing forward international tax cooperation needs to be maintained and declares that it is ready to assist the Member States in taking forward the appropriate instructions in the context of the policy on good governance in the tax area.

The Commission invites the Council to adopt these policy orientations and take action to ensure their swift implementation.