



*President
Kumitat Permanenti dwar
l-Affarijiet Barranin u Ewropej*

*Chairman
Standing Committee on
Foreign and European Affairs*

4 November 2019

H.E Jean-Claude Juncker
President
European Commission

The Foreign and European Affairs Committee, held on 23rd October 2019, discussed **the 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**

The Committee understands that in its Communication, the European Commission aims at setting a common framework for tax laying out the argument that such a Common Corporate Tax would lead to increased efficiencies. The proposal makes the argument that the use of the *passerelle* clause in the Treaties would be opportune, in order to surmount unanimity obstacles.

The Foreign and European Affairs Committee after taking into consideration the proposals included in the above Communication;

1. Notes that, while it is not legally binding, this Communication outlines the European Commission's intention to move towards decision-making through qualified majority voting on measures relating to taxation, thereby departing from the current system that requires unanimity;
2. Notes that these changes can possibly have an impact on the Treaty for Malta's accession to the European Union;
3. Reminds that the Treaties do not cater for harmonisation of direct tax legislation, and, therefore, national parliaments are responsible for raising money and balancing a nation's books, in line with the principle of subsidiarity;
4. Underlines the importance of unanimity rule as well as the value of protecting the member states' national sovereignty and self-determination. Unanimity as a decision-making procedure means a sovereign right for each member state to determine the matters that call for their right of veto. In the opinion of the Committee, this serves as a fundamental protection for ensuring that an individual state can, in a democratic manner, exercise its powers and look after its interests. The Committee would also like to stress that the unanimity rule ensures both the Government's and Parliament's influence on tax policy;

5. Recalls that on 5 December 2011 the Maltese Parliament issued a reasoned opinion on the Proposal for a Council Directive on a common system of Financial Transaction Tax and amending Directive 2008/6/EC - Com (2011) 594, underlining Member States' rights to raise taxes; warning that, if the Financial Transaction Tax is applied only within the European Union, there is a good possibility that capital will move outside Europe; and emphasizing the importance of safeguarding Malta's fiscal sovereignty;
6. Recalls that on 21 December 2016 the Maltese Parliament issued a Reasoned Opinion concerning the Proposal for a Council Directive on a Common Consolidated Corporate Tax Base (CCCTB) - Com (2016) 683, highlighting that the proposal inevitably affects tax revenues and fiscal regimes and that it falls outside the EU's competence; emphasizing that the objectives of the proposal may be achieved by national means; and warning that smaller companies may find themselves in difficulty to choose between the CCCTB and local tax law;
7. Expresses concern over the use of the *passerelle* clause for EU tax policy, which could significantly change the substance of European tax policy;
8. Notes that this Communication is very broad and can have severe ripple effects, if it developed to its broadest intent, on Malta's economy and the financial services sector, possibly in a short span of time;
9. Takes note of the objections put forward by several parliaments of other EU Member States, notably the Czech Senate and the Swedish Parliament, among others; and
10. Calls for retaining the current procedure of decision-making by unanimity on matters relating to EU tax legislation.



Dr Manwel Maffia

**Standing Committee on Foreign and European Affairs
House of Representatives
Malta**