

- 1. Conversation of UFE's Committee with the Director General of tax and customs union, Robert Verrue**

- 2. Conversation of UFE's Committee with the new chairman of Group III of the Committee on Employment and Social Affairs, Staffan Nielsson**

1. Conversation with Director General Robert Verrue

The UFE met the Director General of tax and customs union, Robert Verrue, on 7th February 2005 in Brussels for an exchange of ideas on current tax and customs policy.

On part of the Directorate general, Alexander Wiedow, the Director in charge of indirect tax and tax administration and currently of customs policy, Jean-Emmanuel Dulière and Michel Massart took part in the conversation. On part of the UFE, the participants were Dieter Ondracek, the Chairman of UFE's Committee and UFE Secretary General Rafael Zender, the Chairman of the tax commission Christian Steenhoudt, the Chairman of the customs commission Jorn Rise Andersen and Desire Ropers.

At the beginning, Alexander Wiedow explained the reorganization of the Directorate general for taxation and the customs union as of 1st January 2005 (organizational chart enclosed as an attachment). Subsequently, the strategy was presented from the point of view of tax policy, and then the customs strategy was presented. Director general Verrue explained the plans for the removal of tax barriers currently preventing private individuals and companies from the trouble-free execution of transnational activities.

In addition, ideas concerning the changing of tax systems were explained, which are meant to support community targets such as competitiveness and sustainable development. Especially the issues company taxation and value-added tax as well as unfair tax competition were addressed. The Chairman of UFE's Committee Dieter Ondracek explained the resolutions of the UFE Committee of Stockholm, in particular on turnover tax fraud, on unfair tax competition, on the directive on interest and on a uniform basis of assessment with regard to corporation income tax.



Harmonization of the basis of assessment of corporation income tax

Robert Verrue explained the objective of the Commission, according to which Europe is to be converted into the world-wide leading economic space in accordance with the commitments made in Lisbon. In this respect, it should be easier for companies to relocate to another member state, which includes a uniform basis of assessment of corporation income tax. A company which intends to execute transnational activities should not be compelled to examine first the regulations of the neighbour country, but it should be possible that the company applies the regulations valid in its country to the other state and/or

that it might expect that the regulations of the neighbour country are comparable.

With regard to the resolutions adopted in Verona 1995/1996 he explained that especially tax harmonization was a very tedious process and that it took 7 years in order to reach the intermediate results achieved so far. Last year, the Commission sent a paper to the Finance Ministers containing the proposal of a uniform basis of assessment for corporation income tax. Verrue explained that 20 Finance Ministers were in favour of an adjustment of the basis of assessment for corporation income tax.

Difficult way to the directive on interest

Michael Massart (Expert National D tach ) explained the difficulties encountered on the way to the adoption of the directive on interest. He dealt in particular with the difficult negotiations with San Marino, Liechtenstein and Switzerland. He said that it was good to hear that 21 countries accepted the exchange and/or association of information. He explained the additional efforts the Commission and/or the OECD made in order to come to an exchange of information. As a result, 35 tax havens accepted to exchange information with the OECD. The EU intended as well to enter into a similar agreement with the said 35 tax havens. According to him, it was regrettable that the directive on interest did not result in an exchange of information in three countries. It was also regrettable that the operational part did not work in a way it was meant to work.

Fighting against turnover tax fraud

With regard to the question whether it was planned to change the turnover tax system, Director Alexander Wiedow explained that, according to the Commission's opinion, it was first necessary to take operative measures. According to the Commission's point of view, the EU countries did not yet make use to the required extent of the possibilities provided to them by law with regard to controls. It was necessary to strengthen targeted and risk-oriented controls. According to him, it was useless to tighten up the general

situation of the companies by changing the law, as this would cause difficulties to all of the companies. On the contrary, it was necessary to focus on the risk orientation of the controls. In this regard, the Netherlands and Great Britain could be quoted as positive examples, as they were able to act successfully by means of organizational and personnel measures.

The improvement of the tax system itself, however, comes only next. In any case, the Commission endeavoured after protecting the revenue from turnover tax. It did not lose sight of the objective of a final tax system either. The tax rate harmonization, however, was not forced, as it was difficult enough to agree on a reduced turnover tax rate; an agreement on the general tax rate was thus not expected to be realizable.

With regard to the intermediate model the Chairman of UFE's Committee Dieter Ondracek submitted to discussion, Wiedow explained that this model made the value-added tax system more susceptible to fraud, however, only with regard to individual and not to organized fraud. They would first wait for the management games relating to the intermediate model and to actual taxation with cross-check procedures. In addition, this issue was put on the agenda of the next meeting of the tax policy group.

With regard to the question of the Chairman of UFE's Committee Ondracek as to how the Commission fought turnover tax fraud operatively, Wiedow explained that seminars had been offered and that conversations with the member states had taken place. To take an example, the federal structure of the Federal Republic was an impediment to the efficient fighting against turnover tax fraud. In the Netherlands, the centralisation of the combat achieved positive results. However, controls always needed to be executed in a risk-oriented manner. The seminars would provide a platform for the diffusion of best practices, i.e., to learn from the best. In addition, the personal meeting of colleagues was supported as a form of exchange in the frame of the official channels of minor importance, a fact that Ondracek welcomed as particularly efficient. According to Ondracek's and Wiedow's unanimous opinion, it was important that not always the same colleagues of the countries took place in these seminars, but that participants had to change.

The Chairman of UFE's customs commission, Jorn Rise Andersen, presented the resolution of the customs commission adopted in Stockholm.

At the beginning, Jorn Rise Andersen emphasized that customs were meant to make the legal merchandise movements easier. Before being able to offer such performances, however, it was necessary to improve some prerequisites. Each member state of the EU needed to have the corresponding means and technical equipment, in particular computers, but as well modern control processes. In addition, the legal regulations and the procedures of customs controls of the individual countries needed to be mutually adapted.

With regard to the illegal merchandise movements, Jorn Rise Andersen dealt in particular with the problem of counterfeiting, resulting in the loss of 100,000 jobs all across the EU. In this regard, it was necessary to strive for a closer cooperation between the legal manufacturers of the goods and the customs authorities. Drug trafficking as well was a problem of increasing importance for public health and the economy. One problem gaining more and more importance was that the drug production increasingly took place in Europe, contrary to former times, in which Africa and Asia were the preferred places of production. Jorn Rise Andersen also addressed the problem of the so-called "container security" and/or the "gas containers".

Another issue was the necessity of a uniform training of the customs officers, and/or a training following uniform directives. Jorn Rise Andersen in particular draw the audience's attention on the difficulties of the new member states with regard to customs standards and explained that this problem needed to be addressed with due attention.

Moreover, he dealt with the Danish problem of the airport of Copenhagen, i. e., that according to the airport's security forces, they should be authorized and/or compelled to control the customs officers. Director Wiedow qualified this point of view as completely contra-productive, on the one hand, as both institutions would interfere with each other. On the other hand, this was completely out of

court, as the customs authorities were naturally affected to the sovereign and/or police sector, a control by the security forces thus being unacceptable.

2. Conversation with the new Chairman of Group III of the Economic and Social Committee, Staffan Nielsson (Sweden) on 8th February 2005

UFE's Committee met for a first conversation with the new Chairman of Group III of the Economic and Social Committee on the occasion of its Committee meeting held in Brussels on 8th February 2005. On part of the Economic and Social Committee, the Secretary of Group III, Marc Beffort (Luxemburg), took place next to Staffan Nielsson. The UFE was represented by the Chairman of UFE's Committee Dieter Ondracek, UFE Secretary General Rafael Zender, Vice-Chairman Jorn Rise Andersen, Nico Goor, Klaus Hilger Leprich, Christian Steenhoudt, Frank Campbell, Desire Ropers and Christine Bugna.



The chairman of UFE's Committee Dieter Ondracek presented the organisation and UFE's current activities. Staffan Nielsson explained the current projects of Group III and recalled that several years ago he already took part in a congress of UFE in his capacity as Vice-President of Group III. He said that he welcomed UFE's commitment and the impetus it gave to the civil dialogue.