Meeting of the G5 Ministers on tax fraud and tax evasion
Paris, 28 April 2014

Since 2012, the Governments of France, Germany, Italy, Spain and the United Kingdom work jointly, within the G5, to promote transparency and cooperation in the tax area, to fight against tax fraud and evasion, to counter harmful tax practices and to respond to the aggressive tax planning practices developed by companies at global level.

In this framework, Michel Sapin, Minister of Finance and Public Accounts of France, Wolfgang Schäuble, Federal Minister of Finance of Germany, Pier Carlo Padoan, Minister of Economy and Finance of Italy, Luis de Guindos, Minister of Economy and Competitiveness of Spain, and George Osborne, Chancellor of the Exchequer of the United Kingdom, held a meeting on 28 April 2014 in Paris in order to examine the progress of their common work and to decide the further actions that they will promote together. At this meeting, they had very positive discussions on a broad set of themes.

In particular, the G5 Ministers stressed the utmost importance of the automatic exchange of information (AEOI) as a very efficient mean to tackle tax fraud, in particular off-shore tax evasion, and to promote tax compliance. They called all financial centres to join this move.

Emphasizing the international developments in this area, they instructed in common their administrations to make the necessary arrangements for signing the AEOI agreements along the new, single, global OECD standard, together and with the 39 other jurisdictions that have committed to join them. This process of signature will be achieved by the Global Forum meeting in Berlin on 28-29 October 2014. This will allow to comply with their commitment to an ambitious but realistic schedule: the first exchange of information will happen in 2017 with respect to data collected as from 31 December 2015.

They enhanced the work of the Global Forum on Transparency and Exchange of Information for Tax Purpose. As to the mutual assistance on request, they insisted that all countries must implement with no delay its recommendations, in particular those whose assessment could not be achieved or that have been rated non or partially compliant. Furthermore, they stressed the importance of designing a framework for monitoring the implementation of AEOI.

In the field of corporate taxation, they reiterated their strong support to the OECD/G20 Base Erosion and Profit Shifting (BEPS) project, which is due to report its first outputs to the G20 Finance Ministers in September 2014. They affirmed that the BEPS project must develop, by end-2015, a comprehensive approach to modernising outdated rules, closing the loopholes of the current international tax system, and developing a single set of global rules. This will tackle the aggressive tax planning practices of companies. Indeed, the BEPS phenomenon is of major concern, as it threatens public revenues, tax fairness and fair competition between companies.

In this respect, the G5 Ministers agreed the following set of measures.

First, they affirmed that the specific challenges raised by new business models in the area of the digital economy must be addressed through effective measures. The countries where these companies conduct their economic activities must be able to receive their faire share of tax.

To reach this aim, the G5 Ministers agreed on the interest of a flexible interpretation of the currently acknowledged territoriality rules, as new concepts such as the Digital Tax Presence could also be contemplated if necessary.

Then, to the G5 Ministers, transfer pricing is of the utmost importance. In this area, thus, they agreed that transfer pricing rules must be adapted to ensure that profit and value creation are aligned. National tax administrations must be able to better set into question transactions or corporate structures, often relating to the location of high value intangibles or excessive risk and capital in a low or no tax environment, in the situation where they are not economically justified and allow groups to minimize drastically their global tax rate. Additionally, the G5 Ministers also highlighted the need to tackle tax avoidance through hybrid mismatches arrangements.

Equally, with respect to tax treaties, the G5 Ministers affirmed that access to the benefits of these must be restricted to companies engaged in genuine economic activity, and that comprehensive measures should be introduced to prevent abuse.

Lastly, to the G5 Ministers, the Forum on Harmful Tax Practices must continue its work in particular on substantial activities conditions for preferential regimes and on transparency (in particular in the case of Rulings regimes).

The G5 Ministers had a particular discussion on the country by country reporting. They stressed the importance of this tool. They agreed that it should provide all relevant tax administrations with the information necessary to complete an high level risk assessment.

As a conclusion, they stressed that the international developments on BEPS must be reflected at the European Union level. The G5 Ministers agreed to suggest at EU level to address in a systematic manner the BEPS-related issues. In this context, they decided to encourage the Commission to review the EU law, assess its impact on the aggressive tax planning practices and, on this basis, propose necessary measures. As a first step in this direction, they agreed to support the appropriate changes to the directives on corporate taxation. Moreover, they look forward to the conclusions of the EU high level expert group on taxation of the digital economy, due mid-2014, which will present effective solutions.