



Union des Finanzpersonals
in Europa

Resolution

of the Committee Congress of UFE on 23 September 2010 on specific problems of the tax administrations in Europe

UFE is the only European specialist representation of interests of the employees of the tax and customs administrations in Europe. Via its member unions, more than 400,000 individual members from all career groups of the tax and customs administrations in Europe are organised in UFE. The delegates of the 45 Committee Congress of UFE adopted the following resolution at their meeting in Lisbon on 23 September 2010:

Staff reductions in tax administrations endanger the national budgets

In particular as a consequence of the financial crisis, which concerns all European countries, the announcements of savings in resources in the public sector also concentrate on the personnel of financial administration. UFE considers staff reductions in the tax administrations as counterproductive. The tax administrations of the European states acquire and ensure the funds, which politics urgently need for the organisation of the state and the fulfilment of the tasks. UFE points out that the report for the European Council and the European Parliament prepared in 2009 under the responsibility of the then Commissioner Laslo Kovac clearly identified the lack of personnel and training as the main reasons for the lack of efficiency in the fight against tax fraud. UFE therefore demands that the tax administration is given highest priority in all states.

I.e., the tax administrations must be well equipped with personnel and the personnel must be particularly well trained and correctly paid, since this is the prerequisite to be able to also make those pay, who want to shirk payment.

The citizens only accept taxes when it is ensured that all tax payers are paying their taxes owed according to the law.

Correct use of the risk management tool

The fact that the EU Commission is dealing with the instruments of risk management and tax compliance is welcomed. However, it must become clearly noticeable that risk management systems are not used to conceal a lack of personnel. UFE warns against abusing risk management for the reduction of personnel. Personnel resources released by the risk management must be used to intensively process cases worth examining, the processing of which had not been possible in the depth required so far due to lack of personnel.

Control over trust

The term “tax compliance” must not be used as an instrument to conceal the problem of missing personnel capacities with the assumption that the tax citizens would just fulfil their tax obligations. First of all, the prerequisite for that is an examination of the tax payers with regard to the fulfilment of their tax obligations in order to then make advances to the tax citizen, if necessary following certification, with less intensive examinations and an extension of the regular examination cycle.

Criminal investigations with regard to taxes by tax experts only

In some European countries, investigation and prosecution of tax offences are undertaken by the police or there are plans, respectively, to assign the police with this responsibility. This is less efficient, since the general police are not able to do that for lack of training in tax law matters. UFE demands that criminal prosecution and investigation with regard to taxes in all European countries are organised by a special authority - financial police or tax fraud investigation – under the responsibility of the financial administration and that this authority is equipped with sufficient personnel.

Exploitation of sources of knowledge without reserve

Investigation obstacles, which under the guise of data protection hamper the work of the tax administration and as a result only serve the protection of the dishonest non-tax payer, have to be eliminated immediately.

Additionally, the right way is to exploit any sources of knowledge on offer. This also includes the acquisition and utilisation of data carriers with information about tax evaders by state authorities.

Europe-wide, special legal bases for the acquisition and utilisation of acquired tax data must be created.

Tax amnesties are counterproductive

Within the course of the acquisition and utilisation of tax data carriers in Germany, it could clearly be seen that only the pressure of a possible discovery is a guarantee for honesty in tax matters. For fear of being discovered and punished, due to the acquisition of tax data by the Federal Republic of Germany in 2009/2010, more than 25,000 tax evaders denounced themselves and paid their taxes.

In that, the result exceeded the disappointing result of the tax amnesty undertaken in Germany in 2004/2005 by far.

The tax amnesties in other European states, too, did not result in the effects expected on the part of the states, but had a devastating effect on tax morality. Because they send the signal to those honest in tax matters so far, that they were the dumb ones and that honesty in tax matters was not worth it, one only had to wait for the next amnesty.

Improvement of administrative cooperation

UFE demands a more efficient fight against tax fraud in Europe, on the one hand with an improvement of the administrative cooperation, and on the other hand by closing legal gaps.

The establishment of Eurofisc is welcomed. In the opinion of UFE, an independent authority would be preferred. If this was not wanted politically, the national authorities have to ensure with sufficient personnel that the European cooperation works efficiently.

Interest Directive still shows deficits

The EU Interest Directive still includes substantial regulation gaps and only applies to natural persons. This offers the investor varied possibilities to bypass interest taxation in a legal manner. For example, some European countries advertise the financial market product “one man fund”, which enables the tax payers to legally separate their private assets from the natural person to thus avoid any tax burdens. A further deficit is that taxes are levied on interests, but not on dividends and gains on exchange. Therefore, UFE demands that profits from cumulative funds, hedge funds, certificates, derivatives, warrants, shares and other similar financial products are included into the scope of application of the Interest Directive, too. UFE expects the Commission to increasingly advance the closing of the systematic gaps.

Making those responsible for the financial crisis pay their share in the costs

UFE emphatically advocates the introduction of a Europe-wide uniform financial transaction tax. For that, they suggest a tax rate of 0.5 %. They hold the opinion that those responsible for the financial crisis have to pay for the consequential costs. Furthermore, financial speculations and dubious financial products must be restricted and fought.

The proceeds from this transaction tax will result in a clear relief of the national budgets of all member countries and thus all citizens of Europe.