

The EU's role as a catalyst for tax reform

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I am presenting [a paper](#) on the EU and tax at a seminar at the House of Lords today organised by GREEN, which in this case stands for Global Re-ordering: Evolution Through European Networks. This is a research project by fifteen universities. I have been invited to be the protagonist in this session by Copenhagen Business School.

The paper I've written, which is intended as nothing more than an overview to stimulate debate over a wide range of potential issues, [is here](#) (and does include a couple of annoying typos). The key elements of the summary, which I suspect I will actually talk about as the paper is far too long to be discussed in detail in the time available, focus on what the EU can do on tax now.

The EU is not a tax authority and does not have a single universal currency. Tax law is devolved to state members and is fiercely protected by them. Progress on tax issues is frequently difficult because of the requirement that EU decision-making on the issue be unanimous.

Despite that the EU has had some notable tax successes including the European Union Savings Tax Directive and the EU Code of Conduct on Business Taxation as well as measures on tax cooperation and information exchange and mutual assistance. VAT is an EU wide tax whilst broader opportunities for action in accounting, corporate and competition law if the will for action exists.

There is up to €1 trillion to won by action on tax abuse, but 85% of the gains are domestic evasion, not international avoidance. The focus on international tax abuse has been important in putting this issue on the agenda, and the EU has dimensions of that agenda it needs to address, particularly relating to transfer pricing within the EU, tax competition issues, EU based tax havens and abusive tax arrangements, but to ignore more fundamental issues would now be a mistake when these other areas of concern are already the subject of OECD attention.

The key issue for the EU is revenue raising to close deficits. If that is the case the EU has to lead the way in finding that money: this is the boldest

statement of aims that it can have for its tax policy. This requires:

- **A proper estimation of tax gaps**
- **Investment in tax authorities**
- **Vastly improved regulation of companies, trusts and other structures that facilitate abuse**
- **Effective domestic information exchange from banks to tax authorities**
- **The creation of greater transparency in the economy from multinational corporations downwards to expose those cheating tax systems**
- **The creation of new tax reporting standards for the declaration of business income to remove the opportunities for tax and accounting arbitrage that undermine effective competition now and which provide a platform on which fair competition is built**
- **Enhancing tax system design to reduce the boundaries within and between systems that encourage abuse.**

To put it another way, there is an enormous exercise in new thinking and design needed which the EU is ideally placed to lead to be run in parallel with a pragmatic exercise in enforcement to create the level playing field that has always been the basis of the European dream.

In other words, for all its weaknesses, the EU can play a major role in taxation.

The Director General of EU Taxation will be present to take part in discussion. It should be an interesting afternoon.