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Dear Mrs Gomes, *Cher Ana,*

Thank you for your letter on taxation questions in Portugal. The tax system is one of the important aspects of the Portuguese economy which has been under close scrutiny since the start of the economic adjustment programme in May 2011 and later in the framework of the European Semester and under post-programme surveillance¹. The Commission's analysis leads it to conclude that Portugal is experiencing excessive macroeconomic imbalances and that policy gaps persist, inter alia, regarding fiscal issues. To "further improve tax compliance and the efficiency of the tax administration" has, therefore, been part of the 2015 country-specific recommendation.

Nevertheless, in both the 2016 country report² and the last post-programme surveillance report³, the Commission also acknowledges the considerable efforts that Portugal has been making to curb tax evasion by further improving the efficiency of the tax administration. The Portuguese authorities have begun implementing their 2015-2017 strategic plan for tackling tax fraud and tax evasion. Measures are being taken to combat tax fraud in the VAT system and the housing market, improve information-reporting by financial institutions, and strengthen the anti-money-laundering framework. Other relevant examples include beefing up the Large Taxpayer Office and developing tax-related IT systems which have proven successful in improving tax compliance and yielded significant additional revenue. The resources allocated to auditing have also been increased very significantly in 2014. Apart from its deterring effect, this shall increase enforcement, widening the tax base and achieving higher tax revenues.

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¹ See for example: (1) The Economic Adjustment Programme for Portugal 2011-2014, European Economy, Occasional Papers 202, October 2014 (in particular paragraph 42 on page 36), available at http://ec.europa.eu/economy_finance/publications/occasional_paper/2014/pdf/ocp202_en.pdf; (2) the 2015 country report on Portugal (in particular pages 34 and 35), available at http://ec.europa.eu/europe2020/pdf/csr2015/cr2015_portugal_en.pdf; or (3) the Council recommendation to Portugal of 14 July 2015 (recital 9 and CSR1), available at http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_portugal_en.pdf.

² available at http://ec.europa.eu/europe2020/pdf/csr2016/cr2016_portugal_en.pdf

³ available at http://ec.europa.eu/economy_finance/publications/eip/ip022_en.htm

While my services do not have information that can corroborate the data you mention in your letter and despite the progress made, there is always scope for strengthening tax compliance. This concerns in particular also issues outside the control of the Portuguese government, e.g. tax havens and specific legal constructions. The Commission is working in this regard to prevent and combat this type of behaviour.

The revised EU Directive on Administrative Cooperation,⁴ which entered into force on 1 January aims at providing for comprehensive automatic exchange of financial account information, including specific provisions for the identification of the individuals behind intermediary structures located not only in the network of jurisdictions that have adhered to the standard, but also and in particular in non-participating jurisdictions. Portugal will start receiving such information as of September 2017.

In the broader context of tax avoidance, recent steps have been taken aimed at strengthening anti-tax avoidance rules, at tackling abuse of tax treaties and at ensuring a coordinated Union approach towards global tax good governance, in particular through the measures foreseen in the anti-tax avoidance package⁵. In this respect, I would like to highlight, for instance, the proposal⁶ aimed at making the tax affairs of multinationals more transparent by introducing country-by-country reports in line with the recent developments in the OECD.

Also, the Commission will re-launch later this year the proposal on a Common Consolidated Corporate Tax Base (CCCTB), the most comprehensive solution possible to profit shifting in the EU.

Yours sincerely, *P. Moscovici*

Pierre Moscovici

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⁴ available at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0107&from=EN>

⁵ available at http://ec.europa.eu/taxation_customs/taxation/company_tax/anti_tax_avoidance/index_en.htm

⁶ available at http://eur-lex.europa.eu/resource.html?uri=cellar:89937d6d-c5a8-11e5-a4b5-01aa75ed71a1.0014.02/DOC_1&format=PDF%20