

SEUL LE PRONONCÉ FAIT FOI

Ladies and gentlemen, mesdames et messieurs,

[intro]

C'est un grand honneur que de pouvoir m'exprimer devant vous aujourd'hui, à la Maison de l'Europe.

J'espère que vous me pardonneriez de poursuivre en anglais.

In my speech today I will focus on three aspects regarding international taxation. Tackling tax avoidance and evasion, greening the tax system, and the digital economy.

But first let me start with an introduction. I'm trying to be a frequent visitor to Paris, for sure one of the most beautiful cities in the world.

The same goes for many of my compatriots, who are all great admirers of your country, cuisine and culture.

But in preparing for this trip, my thoughts went back to a particular visit I paid to Paris in the mid-nineties.

I was a civil servant at the Ministry of Finance, and I was working on a greener and more ecological tax system.

That was the subject I came here to Paris to talk about.

Looking back at that visit, I realise how little has changed, and yet at the same time how much has changed.

Both for Europe and for me.

Little has changed in the sense that we're still talking about the same subjects 25 years on, trying to make our taxes more environmental friendly.

The same is true for me personally, even though I've done different things in the meantime, and today I stand before you as state secretary of finance.

The lack of progress in certain fields is sometimes not encouraging.

But, optimist that I am, I think it shows that change is a process where, together, we keep taking small steps forward. And it also shows that the project of global civilisation is never complete, even though some people took a different view in the nineties.

Just think of the famous book by the American political philosopher Francis Fukuyama, *The End of History*.

Fukuyama was proved wrong, which only underlines my argument that a lot has changed since the nineties.

In terms of the subject I discussed back then: our awareness of just how important European cooperation is in general, and in combating climate change in particular, has only grown in the last couple of years.

The climate summit in Katowice, and the UN's recent alarming report, have again forced us to face up to the facts.

President Macron is a key figure in pushing for progress on this front.

Global warming will take on disastrous proportions if we continue to emit greenhouse gases at the current rate.

We must act.

At the same time, the demonstrations by the *Gilets Jaunes* here in France show that we have to get everyone on board as we pursue the necessary transition.

If we move too fast, or do not explain our goals properly, we will leave people behind.

So the challenge we face is far from simple.

Now, ladies and gentlemen, as the Dutch State Secretary for Finance, with special responsibility for taxation.

And today I'm going to argue that the world is changing, and that taxation must change with it.

- Because today, all over the world, we're seeing the effects of global warming. We must join together and take responsibility for tackling this problem in a just manner.
- In today's world, the biggest and most important companies are digital, and a lot of trade is conducted online. The companies take no notice of old-fashioned national boundaries.
- In today's world, big companies are taking creative routes to avoid tax, often passing through several countries. That's not only unethical but can also erode tax compliance for others.

These examples may seem quite unconnected.

But there's a common denominator: taxation.

Another common denominator is that one country acting alone can achieve little in the face of these three developments.

So we need an international response.

We need to forge strong partnerships, between The Hague and Paris, in Europe, and in multilateral fora.

[tax evasion and tax avoidance]

I'd now like to look at those three examples in more detail.

Let me start with tax evasion and avoidance.

It's in all our interests to prevent these practices as much as we can.

In the Netherlands, we're convinced and determined of this, although our image abroad, dating from before, may still be somewhat different.

We have a saying in the Netherlands: trust comes on foot but leaves on horseback.

For decades the Netherlands has had a reputation of being a fiscal friendly country, or even – according to some – a tax haven.

The latter charge was never justified.

According to the OECD, a tax haven is a country that lacks transparency and shares little information. This is hardly true of the Netherlands.

In normal usage the term tax haven refers to a country where companies can channel profits because very little tax is levied there.

That has never been the case in the Netherlands.

The profits of companies that operate in the Netherlands are taxed.

The rate of Dutch corporation tax is around the EU average. Revenue from corporation tax is therefore a significant part of the Dutch tax mix.

I'd like to point out that the Netherlands is also considered a committed participant in the OECD project, commissioned by the G20, to combat Base Erosion and Profit Shifting.

And it was under the Dutch EU presidency in 2016 that the first EU directive addressing tax avoidance was drawn up.

What's more, we're wholehearted in our implementation of international treaties and agreements, going above and beyond what is required under the rules.

Ever since the so called 'Golden Age', the Netherlands has been an open economy, geared towards international trade and investments. That is why multilateral systems are vital for us. It also means that the Netherlands invests in a business climate that is attractive to international companies.

Our tax system reflects the international orientation of our economy.

This can be seen, for example, in arrangements to prevent double taxation.

It's important to us that Dutch companies operating abroad can compete on an equal footing with local businesses.

So if profits have already been taxed in a foreign country at the prevailing rates there, we don't want to tax them again in the Netherlands.

But there's a flip side to this approach: companies can also use our internationally oriented tax system to erode the tax base of other countries. The risk is that because of our extensive treaty network and the absence of a withholding tax on interest and royalties, large sums could flow through letterbox firms in the Netherlands to tax havens. This is what gave us a shady fiscal reputation.

And I want to put an end to this practise, as this cannot be the intention of our tax system.

Everybody should pay their fair share. Citizens and companies.

If companies can defer taxation or avoid it altogether, the costs of public services will be passed on to citizens and businesses that do pay their tax on time.

That is unfair.

Which is why I've made combatting tax evasion and avoidance one of my political priorities.

The twin pillars of my approach are to protect the tax base, and foster transparency and integrity.

The key measure under the first pillar is the introduction of a withholding tax on interest and royalties.

So, from the first of January of 2021, we'll have legislation in place to target the 22 billion euros that flows directly from the Netherlands to low-tax jurisdictions. These are countries on the draft EU blacklist in September 2018 and countries with a statutory tax rate under 9% as the Netherlands has as of this January 1st introduced its own blacklist with 21 countries with a tariff under 9%. Europe's blacklist consists of only 5 countries and we hope other European countries will follow us in using this blacklist. This will help us prevent the Netherlands being used as a conduit to tax havens and as a means to erode the tax base of other countries.

This is a big and crucial step forward in the fight against tax avoidance.

But we also know that unilateral measures to tackle tax avoidance, such as the introduction of a withholding tax, have their limitations.

Companies can get round this measure by setting up an entity in another country between the Netherlands and the tax haven. This is why I'm such a strong proponent of a coordinated international approach. Worldwide but in any case in the EU.

The recent Franco-German proposals for a minimum tax, which will be fleshed out in the OECD in the months ahead, are a good conceptual match with my withholding tax.

These proposals could even boost the effectiveness of my own measure.

I'll be following developments on this front with great interest.

Moving on to a second pillar, one of our key measures is a stricter and more transparent approach to granting tax rulings. Tax rulings give companies advance certainty about the tax consequences of investments.

And there's nothing wrong with that per se, but in the future we will look more closely at why a ruling is being requested.

If the sole purpose is to save Dutch or foreign tax, and there's no substantial economic activity in the Netherlands, we will no longer provide any advance certainty. Next to this we will also start publishing details of international rulings in order to increase transparency.

These are two highlights from our national approach.
But in the end, to make real progress we need to tackle tax avoidance at international level.
If we don't, there's a risk we will simply shift the problem elsewhere.

That's why we're working internationally, with France as a key ally, for a world where everyone, from individual citizens to multinationals, pays their fair share of tax, and where we can all profit from the services paid for by taxation.

[greening the tax system/taxation on aviation]

After all, we all want a fair system and a liveable world.
This brings me to my second theme: climate.
Here too, taxation plays an important role.
And here too we are striving for the fairest system.

But what is 'fair'?

By 'fair' I mean that the polluter pays.

So we will put a price on the environmental impact of goods and services so that consumers take more account of the costs of pollution.

This will mean tax is levied fairly, and it will make a positive contribution to the environment.

That's why, for example, the government decided based on CO2 emissions to tax gas more heavily than electricity and to increase tax on waste disposal.

The Dutch government has also announced a new tax on aviation.

The environment and climate change are also prime examples of international issues that transcend national borders.

If one country is a model of eco-friendly practice, but the rest continue to pollute the atmosphere regardless, we will never save the planet.

So despite our national ambitions and initiatives, I firmly believe in a joint approach such as was taken in the Paris agreement.

A good example is the introduction of a European tax on aviation.

I know that France, like some other European countries, already has a tax on aviation.

So we're now introducing our own, because it's strange to tax all vehicles and all mobility except for aircraft.

By putting a price on environmental costs we hope that consumers will make cleaner choices.

But it's by working together that we can achieve the most. That's why I'm talking to the European Commission and various member states so that we can pool our efforts in Brussels.

Each of us can reinvent the wheel, but together we know more and can do more.

Together, we have the best chance of living up to the agreements we made here in Paris.

And together we will do least harm to the single market, we will avoid tax uncertainty and we will maintain a level playing field.

So before next summer I'd like to organise an international ministerial conference to share experiences of national aviation taxes, to generate ideas for joint solutions, and to call on the European Commission to take action. And during my visit here I have asked the French government to actively take part in this conference and I am sure they will consent.

[digital economy]

Ladies and gentlemen, the final topic I'd like to discuss is the digital economy.

In the Paris of the mid-nineties, when I came here as a civil servant to talk about green taxes, few

people had a mobile phone.

And those that did used it only to phone people or, at most, to play a game of 'Snake' or Patience.

Today, with our smartphones, we all have the world in our pockets.

Thanks to Google Maps, Dutch tourists no longer get lost in Paris.

We buy most of our Christmas presents online.

And when we book a holiday few of us visit a physical travel agency.

Most of our taxes were designed for a world that no longer exists. Corporation tax was devised a hundred years ago, when phoning someone was a complex undertaking, involving a mouthpiece mounted on a stand, a separate ear-phone and various connecting cables.

I won't go into the details of early telephone technology, but suffice to say we've come a long way.

We have a new economy, and that means we need new rules. Especially given the great strides made in the digital domain over the last decade.

Consider companies like Netflix, Spotify, Amazon, and Google.

Names we all know.

They have a new way of doing business.

The current international rules on profit allocation stem from the bricks-and-mortar era of the 20th century, when value could easily be attributed to real physical tasks.

But in these new business models, value can be created in markets with no physical presence.

So the question arises: where exactly is their value created?

And who should tax it?

It's clear that our current rules need to be revised.

So it's good that we're working hard within the OECD to find long-term global solutions to these issues.

To build a system that will meet our needs for some time to come.

And it's good that we're working at EU level on a short-term solution, too.

I welcome France's active input on this point.

I understand that France has announced it will introduce its own planned digital services tax in 2019.

We appreciate the considerations that motivated this decision. At the same time, we believe it's important to continue acting in concert in the EU.

Because a scenario where everyone draws up their own rules would be bad for the single market and bad for Europe's citizens.

[Closing words]

Ladies and gentlemen,

The British philosopher Bertrand Russell once said, 'The only thing that will redeem mankind is cooperation'.

It's a pity that the British themselves seem to have somewhat lost sight of this truth.

But the bottom line is that, if we are to make progress, we have to work together.

International cooperation is the only way to stop tax avoidance, it's the only way to combat climate change, and it's the only way to bring our tax system in sync with the digital age.

In France we have always had a constructive, critical and valued partner.

And I hope that we will continue to cooperate closely in these three areas in the years to come.

So that together we can build a fair, sustainable and modern tax system.

Thank you so much for your attention.