



Recommendation 833 (1978)¹

Co-operation between Council of Europe member states against international tax avoidance and evasion

Parliamentary Assembly

The Assembly,

1. Noting the expansion of international business relations and of multinational companies, and the increasing problem of taxation caused by the consequent growth of international transactions ;
2. Concerned at the increase in tax avoidance and evasion reaching beyond the national borders of member states, and the lack of efficient cooperation and mutual assistance between European tax administrations in this field ;
3. Endorsing the principle that income should be taxed in the country of its origin ;
4. Noting that unreasonably restrictive rules of bank secrecy encourage the commitment of international tax offences ;
5. Recognising that tax evasion involves a breach of law, but that to curtail tax avoidance, changes in fiscal law are required ;
6. Considering that international tax avoidance and evasion practices cause serious budgetary losses to governments, breach the principle of fair taxation, and distort international capital movements and the conditions of competition ;
7. Considering also that international co-operation in the tax field on the basis of bilateral double taxation conventions has not proved sufficiently effective as an instrument to fight international tax evasion ;
8. Welcoming the various efforts made in recent years on an international level in order to combat tax evasion and curtail international tax avoidance, such as :
 - the 1972 Nordic Convention, on administrative assistance in tax matters ;*
 - the Directive concerning mutual assistance by the competent authorities of member states in the field of direct taxation, adopted by the Council of the European Communities in December 1977 ;*
 - the adoption in September 1977 by the OECD Council of a Recommendation on tax avoidance and evasion ;*
9. Regretting, however, that these measures are not interrelated, and stressing the need for a more coherent and co-ordinated effort at European level,
10. Invites the member states of the Council of Europe to conclude a European multilateral agreement concerning co-operation between national tax administrations in order to combat tax offences and evasion and initiate measures to curtail international tax avoidance, and to ensure that such an agreement :
 - a. includes in its scope direct as well as indirect taxes, social charges, etc.;

1. Assembly debate on 23, 25 and 26 January 1978 and 24 April 1978 (19th, 22nd, 23rd and 24th Sitings of the 29th Session, and 1st Sitting of the 30th Session) (see [Doc. 4098](#) see [Doc. 4098](#), report of the Committee on Economic Affairs and Development). Text adopted by the Assembly on 24 April 1978 (1st Sitting).



b. covers :

- the mutual exchange of information on tax matters between Council of Europe member states ;*
- enquiries to be carried out in one member state at the request of another ;*
- assistance in the recovery of tax debts ;*
- a development clause designed to facilitate further and closer co-operation in the future ;*

11. Recommends that the Committee of Ministers :

urge governments of the Council of Europe member states to abolish unduly strict rules on bank secrecy, wherever necessary, with a view to facilitating investigations in cases of tax evasion or concealing income arising from other criminal activities, while paying due regard to the protection of individual privacy ;

urge member states to refrain from creating special tax laws which tend in practice to give undue tax favours to certain categories of companies in respect of foreign earned income ;

take any other appropriate action with a view to making it more difficult for international firms to use tax haven countries inside or outside Europe for tax avoidance purposes ;

promote an effective system for taxing multinational companies, with special regard to the problem of "transfer-pricing" ;

make a study of the various forms of economic crime in order to facilitate the enforcement of national legislation and international cooperation in combating such crime ;

invite the governments of those member states which have not yet done so to sign the Additional Protocols to the European Conventions on Extradition and on Mutual Assistance in Criminal Matters, and to ratify them as soon as possible ;

pay special attention to the increasing problem of fraudulent practices in connection with the levying of indirect taxes, in particular those arising from the existence of internationally diverging value added tax rates ;

12. Further recommends that the Committee of Ministers initiate negotiations on the conclusion of a European multilateral agreement on mutual assistance between European tax administrations as outlined in paragraph 10 above.