Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 2181 (2017)[1]

The activities of the Organisation for Economic Co-operation and Development (OECD) in 2016-2017

Parliamentary Assembly

1. The Parliamentary Assembly of the Council of Europe, enlarged to include the delegations of national parliaments of the Organisation for Economic Co-operation and Development (OECD) member States which are not members of the Council of Europe, as well as a delegation of the European Parliament, takes note of the concurring analysis of the OECD and the International Monetary Fund of the current economic environment and projections for 2018. It notes that the recovery in the global economy is continuing, but at a slow pace, which is slightly faster in the OECD area than in the eurozone. It recognises that the recovery remains fragile and that any negative shocks could trigger a new downturn.

2. The enlarged Assembly agrees with the OECD's analysis on the need to tackle this low growth and believes that demand must now be stimulated, but more through fiscal policy than through monetary policy. It urges OECD member States to rapidly seize the opportunity of the exceptionally low level of interest rates to revive public investment, provided that four conditions are met:

2.1. the revival in investment is concerted and well co-ordinated across levels of government;

2.2. it affects sectors that benefit growth directly such as those recommended by the OECD in its report Going for Growth 2017;

2.3. it is budget neutral and therefore does not deepen public deficits;

2.4. it goes hand in hand with the structural reforms recommended in Going for Growth 2017, in particular on the various labour markets.

3. Whilst supporting the need for quantitative and dynamic growth, the enlarged Assembly urges member States to adopt a more comprehensive approach to development by fostering quality, sustainable and inclusive growth that brings long-term benefits to society and preserves the planet's resources. It asks the OECD to explore the link between fossil fuel subsidies and renewables in achieving sustainable development, in addition to problems of market abuse.

4. The enlarged Assembly stresses that multilateralism, provided that it is genuinely inclusive and provides scope for States to take action on an equal footing, is the only means of achieving tangible results in the fight against international tax evasion and avoidance, in particular thanks to a greater tax transparency, against base erosion and profit shifting (BEPS) and against aggressive tax planning.

5. In these respects, the enlarged Assembly congratulates the OECD and the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) on the results achieved in the area of exchange of information on request (EOIR) following the first round of peer reviews. It calls on:

5.1. the OECD and Council of Europe member States deemed "partially compliant" by their peers to take the necessary corrective measures;

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1. *Assembly debate* on 10 October 2017 (30th Sitting) (see Doc. 14401, report of the Committee on Political Affairs and Democracy, rapporteur: Mr Alfred Heer; and Doc. 14410, opinion of the Committee on Social Affairs, Health and Sustainable Development, rapporteur: Mr Geraint Davies). *Text adopted by the Assembly* on 10 October 2017 (30th Sitting).

5.2. the Council of Europe member States which have not yet undergone comprehensive reviews to do so during the second round of reviews from 2016 to 2020;

5.3. the Council of Europe member States which do not take part in EOIR (namely Bosnia and Herzegovina, Montenegro and Serbia) to join the process.

6. The enlarged Assembly welcomes the use of EOIR as a model for the automatic exchange of financial account information (AEOI) and the use of the latter in some actions of the BEPS Project. It is pleased to note that the Common Reporting Standard, which determines the scope of and arrangements for the operation of AEOI, covers a sufficiently broad range of data to effectively combat international tax evasion and avoidance. It encourages the 101 members of the Global Forum which have undertaken to activate it AEOI before the end of 2018 to ensure that they have the systems in place and the necessary human resources for processing the information which their tax administrations will receive. In this regard, it welcomes the initiative of the OECD's Forum on Tax Administration to pool their financial resources to procure a Common Transmission System (CTS) to facilitate the implementation of AEOI. It recommends that those Council of Europe member States which have not yet done so accede to the Convention on Mutual Administrative Assistance in Tax Matters (ETS No. 127) drawn up jointly by the OECD and the Council of Europe, which is the legal basis recommended for the introduction of AEOI.

7. With regard to the BEPS Project, the enlarged Assembly reaffirms its commitment to multinational enterprises (MNEs) reporting their profits where economic activities take place and value is created. The concern to avoid the double taxation of MNEs must not result in non-taxation that leads to losses in revenue of $100-$240 billion for governments every year, according to the OECD.

8. The enlarged Assembly welcomes the speed with which the OECD was able to implement the 15 BEPS actions it had recommended, including the four minimum standards for which the peer reviews have now started. It encourages OECD and Council of Europe member States to sign and ratify as quickly as possible the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting, and the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports so as to allow the automatic exchange of the relevant information from 2018.

9. Drawing on the work of the OECD Parliamentary Group on Tax, the enlarged Assembly calls on the OECD to give in-depth consideration, within the BEPS Project, to ways of strengthening efforts to combat aggressive tax planning which ultimately leads to tax avoidance that is harmful to States. The exercise of fiscal sovereignty must not lead to aggressive tax planning, and practices of this kind are per se to be condemned.

10. The enlarged Assembly is pleased to note that both the Global Forum and the Inclusive Framework on BEPS include more than a dozen developing countries and that the Global Forum has adapted its technical assistance to these countries in connection with EOIR. It proposes to publicise the Global Forum and Inclusive Framework ratings by including updates on them in the biennial report on the activities of the OECD.

11. In addition, the enlarged Assembly also calls on the Parliamentary Assembly of the Council of Europe to give in-depth consideration to the possibility and advisability of increasing the effectiveness of the OECD's recommendations, for instance by amending the Convention on Mutual Administrative Assistance in Tax Matters in order to enable an international tax co-ordinating body to impose sanctions.

12. The enlarged Assembly takes note of the link between the continuing increase in income and wealth inequalities over the past thirty years and the reduction in potential growth. It agrees with the OECD that the reduction in opportunities afforded to poorer households because of increasing inequalities prevents them from investing properly in their human capital. It calls on its members:

12.1. not to focus solely on growth while forgetting how it is distributed, notably by fighting the development of new forms of in-work poverty;

12.2. to take steps to improve human capital that are not confined solely to the 10% of households with the lowest incomes but are aimed at the 40% of households in that position;

12.3. to concentrate on education and skills measures which foster social mobility within societies, in particular: early childcare, policies for families with school-age children, reducing inequality in educational outcomes, lifelong upgrading of skills in an inclusive manner to avoid obsolescence or aligning skills supply with business demands for skills among those leaving the education system, as advocated by the OECD;

12.4. to submit trade agreements, in particular investment chapters, to in-depth scrutiny to ensure that they will make a notable impact on growth with benefits spread across society rather than concentrated in certain groups.

13. The enlarged Assembly invites the OECD to continue its work on the relationship between wealth inequality and growth and on the existence of thresholds or indicators for inequality which would give States an idea of the level of "sustainability" of such inequality in relation to growth. It also calls on the OECD to investigate the impact of trade and investment agreements on inequality.

14. The enlarged Assembly believes that, as regards youth employment, investing in education and skills today will generate future employment and subsequent growth. It calls on its members to combat the increase in the number of young people not in education, employment or training (NEETs) who are economically vulnerable, with a special attention to those who have left the education system early, in accordance with the G20's goal of reducing the share of young people most exposed to the risk of permanent exclusion from the labour market to 15% by 2025.