

Non-paper Sharing experiences on tax driven migration by individuals

Note from France and Netherlands

Since its creation, the Code of Conduct Group has focused on eliminating harmful preferential tax regimes, first within the EU and since 2017 also outside the EU, regarding third countries. The Code of Conduct Group has made a valuable contribution in addressing tax driven corporate behaviors, particularly with respect to the relocation of geographically mobile activities.

In this context, we would like to take the opportunity to raise an issue that is increasingly drawing attention globally, including in the Netherlands and France, and which has some parallels to tax driven corporate locations, being the tax driven migration by individuals.

We observe a growing trend where individuals, particularly those with significant mobile assets, are able to shape their tax residence in a way that allows them to benefit from favorable tax regimes offered by other jurisdictions, or reduce their tax burden by using the differences and mismatches between national tax systems.

While tax competition between jurisdictions is, of course, permissible in principle, this trend raises some questions about potentially harmful implications of certain tax practices, such as base erosion risks, a lower tax morale and a decrease in social cohesion. Furthermore, concerns around tax driven migration may constrain countries' ability to implement effective tax policies to address increasing wealth and income disparities.

Additionally, these regimes could lead to a race to the bottom and harm solidarity within the EU. It is in our collective interest to avoid an erosion of the tax base, especially in a time of limited fiscal leeway and increasing challenges such as defense spending and strengthening EU's competitiveness.

Therefore, we feel there is a need to address these possible mismatches and regimes and we would like to propose having an explorative factfinding discussion sharing the experiences among the Member States regarding tax driven migration by individuals. As the Code of Conduct Group has made valuable contributions in addressing harmful tax driven behavior – and as there are parallels to tax driven corporate locations - we feel we could build on existing EU expertise to outstart discussion on the problem analysis and the potential way forward to address harmful implications of tax practices in the field of individuals.

Although we feel that the Code of Conduct Group could be an appropriate platform to discuss this issue, we acknowledge that an exploratory discussion in this forum could be sensitive as well. Therefore, we are open to initiating discussions in another setting (for instance in a dedicated Working Party meeting). A preliminary stock-taking step would be advisable in order to get a better and factual understanding of the current state of affairs.

Question: We would like to hear from Member States if they would like to discuss and share information in tax driven migration by individuals with a view to getting a better understanding of the tax practices in the area of personal income taxation and whether any of these contain harmful elements worth exploring further.