

Taxation Diluted in von der Leyen's New European Commission

by Elodie Lamer

European Commission President Ursula von der Leyen has confounded the tax world with the announcement that EU tax policy will fall under the purview of the next climate commissioner.

Former Dutch Finance Minister Wopke Hoekstra is set to become von der Leyen's next commissioner for climate, net zero, and clean growth, she announced September 17.

"You will also be responsible for taxation and work to ensure our tax system plays a crucial role in supporting Europe's competitiveness, prosperity, and social fairness," she wrote in his mission letter. By contrast, the outgoing commissioner for taxation and customs union was responsible for the economy. This enabled him to sit at G7 and G20 meetings and to discuss global tax developments with international partners in the margins of those meetings.

Tax competences will also be scattered among other commissioners. In a departure from previous practice, the Directorate-General for Taxation and Customs Union will be headed by two commissioners. Customs will now be the competence of incoming Trade Commissioner Maroš Šefčovič, who will "help tackle challenges with e-commerce platforms and strengthen measures to prevent non-EU-compliant products from entering the EU market," von der Leyen said.

Valdis Dombrovskis, the future commissioner for economy and productivity, implementation and simplification, will also have to "ensure our tax system plays a crucial role in supporting Europe's decarbonization and competitiveness and ensures social fairness," von der Leyen said.

Though his competence is broader than taxation, Dombrovskis is likely to have a big impact on tax legislation, as he will be asked to "stress test the EU *acquis* with a view to eliminate overlaps and contradictions," von der Leyen wrote in his mission letter. That role fits into the decluttering agenda that the commission promised stakeholders on the tax front.

To get the Socialists and Democrats group's support for reelection, von der Leyen promised to make housing a competence for a commissioner,

though the EU doesn't actually have power in that area.

Danish Climate Minister Dan Jørgensen will be commissioner for energy and housing. He is expected to "contribute to the work to level the energy taxation playing field and the strategic use of taxation measures to incentivize the uptake of clean technologies, as notably proposed in the Draghi report," von der Leyen said, referring to an assessment of the future of the EU's competitiveness that she asked former European Central Bank President Mario Draghi to prepare.

Draghi concluded that energy prices are too high and are being pushed even higher by taxes. He said the next commission should propose a common maximum level of taxes, surcharges, levies, and network charges.

Hoekstra shares Jørgensen's mission on energy taxation and will also help to conclude negotiations on the revision of the energy taxation directive, which sets minimum taxation levels and aims to tax the most polluting energy sources more.

Spanish Ecological Transition Minister Teresa Ribera Rodríguez is expected to be von der Leyen's second-in-command, having been named executive vice president for a clean, just, and competitive transition. She would be above Hoekstra in the commission hierarchy and is expected to guide work to ensure that taxation measures support decarbonization and a fair transition to a green economy.

Von der Leyen also asked Hoekstra to explore how to make the VAT system more environmentally responsible. The next commission is expected to increase its focus on behavioral taxation for health and environmental purposes. In March member states asked the commission to deliver on a series of indirect taxation proposals, including a review of the tobacco taxation directive. That review was ready under von der Leyen's first commission presidency but was postponed indefinitely. Tobacco and alcohol taxation are not mentioned in her mission letter to Hoekstra.

Apart from that, Hoekstra is expected to continue work on ongoing initiatives and those already in the pipeline, like the Business in Europe: Framework for Income Taxation (BEFIT) proposal and the upcoming review of financial

services taxation (which should at least cover VAT changes).

While many involved in the tax talks in Brussels wonder what the inclusion of taxation in the climate portfolio would mean in practice, it can also be seen in light of a request conveyed by member states in March that the commission slow down on direct taxation proposals.

In any case, the framing of the portfolio has raised concerns.

“While the previous mandate saw numerous advances in taxation, this issue no longer seems to appear among the Commission’s priorities. This is a real problem, especially as taxation has never been more central to the public debate, with proposals at the G20 level, notably on taxing the ultra-rich,” French member of the European Parliament Aurore Lalucq, who was appointed chair of the Committee on Economic and Monetary Affairs, told *Tax Notes*.

“The word ‘taxation’ doesn’t even appear in the Commissioners’ portfolios and, worse, it seems scattered within a broad climate portfolio, with no clear attribution or mission. Taxation cannot be reduced to just an environmental issue,” Lalucq said.

Other stakeholders welcomed the novelty.

“With his previous experience as Europe’s Climate czar, a former Dutch Finance Minister, as well as former Foreign Minister, and with his background in McKinsey and Shell, Hoekstra is well placed to consider and link some key EU dossiers and key EU policy priorities from a more holistic view: Tax and Sustainability . . . promoting competitiveness and business-friendliness, and Tax and Geopolitics,” Bob van der Made, director of Van der Made Consulting, which is responsible for the secretariat of the European initiative on business taxation, told *Tax Notes*.

Grégory Jullien, director of EU tax policy at Deloitte, said the choice to entrust taxation with the climate commissioner is interesting. “Taxation has interactions with the whole EU economy, not only with Climate, Net-Zero and Clean Growth, as it has direct influence on the competitiveness of the EU market and economy compared to other major economic players at the international level, such as the United States and China,” Jullien said. “It may prove to be a challenge for the new

Commissioner to ensure that all dimensions of tax policy are considered.”

Van der Made noted that the decision to give the taxation competence to the Netherlands “could perhaps also be seen as a reward of sorts” for Dutch tax reforms to tackle tax avoidance under Hoekstra’s ally, Marnix van Rij, then state secretary for tax affairs and the tax administration. However, others in the EP recall that Hoekstra was named in the Pandora Papers scandal, as he held shares in a British Virgin Islands company when he was serving as a Dutch senator.

MEPs can still request changes to the composition of some of the policy portfolios and must approve von der Leyen’s appointees. They will likely bring up Hoekstra’s past at his hearing. The new commissioners will take office November 1. ■

Sophie Petitjean contributed to this article.