

Fighting the use of shell entities and arrangements for tax purposes

Fields marked with * are mandatory.

1

Introduction

Several actions taken by the EU over recent years have provided new powerful instruments to tax administrations to tackle the use of abusive (often purely artificial) and aggressive tax structures by taxpayers operating cross-border to reduce their tax liability. However, even after these important developments, legal entities with no or only minimal substance, performing no or very little economic activity continue to pose a risk of being used in aggressive tax planning structures. Such risks of misuse expand to legal arrangements. This is possible because, while substance of legal entities is addressed by the Code of Conduct Group on Business Taxation within the context of specific preferential tax regimes, there are no EU legislative measures which define substance requirements for tax purposes to be met by entities within the EU. Recent investigations conducted by a consortium of journalists brought the issue again to the attention of the general public with a more pressing request to act at EU level to end this practice.

The issue at stake is the use of legal entities with no or minimum substance and no real economic activities, by taxpayers operating cross-border to reduce their tax liability. While entities with no substance and no real economic activities can be used for different abusive purposes (including for criminal ones, e.g. money laundering, terrorist financing, etc.), this initiative would focus on situations where the ultimate objective is to minimise the overall taxation of a group or of a given structure. The European Commission has received several complaints and requests for action from the European Parliament, from citizens, NGOs, journalists and the civil society in general.

In line with Better Regulation principles, the Commission has decided to launch a public consultation designed to gather stakeholders' views on the possible improvements to the EU legal framework in this field.

Responding to the full questionnaire should take about 30 minutes. The questionnaire aims to capture views from all stakeholders on the use and misuse of shell entities and arrangements in the EU for tax purposes. Stakeholders' responses will help the Commission determine if an EU initiative to target shell entities and their misuse for tax purposes is needed as well as its most appropriate design features. The replies will also help identify the main risks as perceived by stakeholders, as well as the priorities for policy actions.

2 About you

* 2.1 Language of my contribution

- Bulgarian
- Croatian
- Czech
- Danish
- Dutch
- English
- Estonian
- Finnish
- French
- German
- Greek
- Hungarian
- Irish
- Italian
- Latvian
- Lithuanian
- Maltese
- Polish
- Portuguese
- Romanian
- Slovak
- Slovenian
- Spanish
- Swedish

* 2.2 I am giving my contribution as

- Academic/research institution
- Business association
- Company/business organisation
- Consumer organisation
- EU citizen
- Environmental organisation
- Non-EU citizen

- Non-governmental organisation (NGO)
- Public authority
- Trade union
- Other

* 2.4 First name

Anthony Paul

* 2.5 Surname

Gisby

* 2.6 Email (this won't be published)

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* 2.10 Organisation name

255 character(s) maximum

Accountancy Europe

* 2.11 Organisation size

- Micro (1 to 9 employees)
- Small (10 to 49 employees)
- Medium (50 to 249 employees)
- Large (250 or more)

2.12 Transparency register number

255 character(s) maximum

Check if your organisation is on the [transparency register](#). It's a voluntary database for organisations seeking to influence EU decision-making.

4713568401-18

* 2.13 Country of origin

Please add your country of origin, or that of your organisation.

- Afghanistan
- Djibouti
- Libya
- Saint Martin
- Åland Islands
- Dominica
- Liechtenstein
- Saint Pierre and Miquelon

- Albania
- Algeria
- American Samoa
- Andorra
- Angola
- Anguilla
- Antarctica
- Antigua and Barbuda
- Argentina
- Armenia
- Aruba
- Australia
- Austria
- Azerbaijan
- Bahamas
- Bahrain
- Bangladesh
- Barbados
- Belarus
- Belgium
- Belize
- Benin
- Bermuda
- Bhutan
- Bolivia
- Dominican Republic
- Ecuador
- Egypt
- El Salvador
- Equatorial Guinea
- Eritrea
- Estonia
- Eswatini
- Ethiopia
- Falkland Islands
- Faroe Islands
- Fiji
- Finland
- France
- French Guiana
- French Polynesia
- French Southern and Antarctic Lands
- Gabon
- Georgia
- Germany
- Ghana
- Gibraltar
- Greece
- Greenland
- Grenada
- Lithuania
- Luxembourg
- Macau
- Madagascar
- Malawi
- Malaysia
- Maldives
- Mali
- Malta
- Marshall Islands
- Martinique
- Mauritania
- Mauritius
- Mayotte
- Mexico
- Micronesia
- Moldova
- Monaco
- Mongolia
- Montenegro
- Montserrat
- Morocco
- Mozambique
- Myanmar/Burma
- Namibia
- Saint Vincent and the Grenadines
- Samoa
- San Marino
- São Tomé and Príncipe
- Saudi Arabia
- Senegal
- Serbia
- Seychelles
- Sierra Leone
- Singapore
- Sint Maarten
- Slovakia
- Slovenia
- Solomon Islands
- Somalia
- South Africa
- South Georgia and the South Sandwich Islands
- South Korea
- South Sudan
- Spain
- Sri Lanka
- Sudan
- Suriname
- Svalbard and Jan Mayen
- Sweden

- Bonaire Saint Eustatius and Saba
- Bosnia and Herzegovina
- Botswana
- Bouvet Island
- Brazil
- British Indian Ocean Territory
- British Virgin Islands
- Brunei
- Bulgaria
- Burkina Faso
- Burundi
- Cambodia
- Cameroon
- Canada
- Cape Verde
- Cayman Islands
- Central African Republic
- Chad
- Chile
- China
- Christmas Island
- Clipperton
- Guadeloupe
- Guam
- Guatemala
- Guernsey
- Guinea
- Guinea-Bissau
- Guyana
- Haiti
- Heard Island and McDonald Islands
- Honduras
- Hong Kong
- Hungary
- Iceland
- India
- Indonesia
- Iran
- Iraq
- Ireland
- Isle of Man
- Israel
- Italy
- Jamaica
- Nauru
- Nepal
- Netherlands
- New Caledonia
- New Zealand
- Nicaragua
- Niger
- Nigeria
- Niue
- Norfolk Island
- Northern Mariana Islands
- North Korea
- North Macedonia
- Norway
- Oman
- Pakistan
- Palau
- Palestine
- Panama
- Papua New Guinea
- Paraguay
- Peru
- Switzerland
- Syria
- Taiwan
- Tajikistan
- Tanzania
- Thailand
- The Gambia
- Timor-Leste
- Togo
- Tokelau
- Tonga
- Trinidad and Tobago
- Tunisia
- Turkey
- Turkmenistan
- Turks and Caicos Islands
- Tuvalu
- Uganda
- Ukraine
- United Arab Emirates
- United Kingdom
- United States

- Cocos (Keeling) Islands
- Colombia
- Comoros
- Congo
- Cook Islands
- Costa Rica
- Côte d'Ivoire
- Croatia
- Cuba
- Curaçao
- Cyprus
- Czechia
- Democratic Republic of the Congo
- Denmark
- Japan
- Jersey
- Jordan
- Kazakhstan
- Kenya
- Kiribati
- Kosovo
- Kuwait
- Kyrgyzstan
- Laos
- Latvia
- Lebanon
- Lesotho
- Liberia
- Philippines
- Pitcairn Islands
- Poland
- Portugal
- Puerto Rico
- Qatar
- Réunion
- Romania
- Russia
- Rwanda
- Saint Barthélemy
- Saint Helena
Ascension and
Tristan da Cunha
- Saint Kitts and
Nevis
- Saint Lucia
- United States
Minor Outlying
Islands
- Uruguay
- US Virgin Islands
- Uzbekistan
- Vanuatu
- Vatican City
- Venezuela
- Vietnam
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Futuna
- Western Sahara
- Yemen
- Zambia
- Zimbabwe

The Commission will publish all contributions to this public consultation. You can choose whether you would prefer to have your details published or to remain anonymous when your contribution is published. **For the purpose of transparency, the type of respondent (for example, 'business association', 'consumer association', 'EU citizen') country of origin, organisation name and size, and its transparency register number, are always published. Your e-mail address will never be published.** Opt in to select the privacy option that best suits you. Privacy options default based on the type of respondent selected

* 2.15 Contribution publication privacy settings

The Commission will publish the responses to this public consultation. You can choose whether you would like your details to be made public or to remain anonymous.

Anonymous

Only organisation details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published as received. Your name will not be published. Please do not include any personal data in the contribution itself if you want to remain anonymous.

Public

Organisation details and respondent details are published: The type of respondent that you responded to this consultation as, the name of the organisation on whose behalf you reply as well as its transparency number, its size, its country of origin and your contribution will be published. Your name will also be published.

I agree with the [personal data protection provisions](#)

3 Problem definition, policy options and impacts

3.1 Despite the recent introduction of new measures against tax avoidance in the EU, tax avoidance seems to remain a problem. Please consider the **relevance of the following possible causes**.

	very relevant	relevant	neither irrelevant nor relevant	not relevant	not relevant at all	no opinion
Inadequate legislation on tax avoidance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient information of tax administration on potential tax avoidance structures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient capacity of tax administration to process the available information on tax avoidance structures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient cooperation between EU Member States	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Insufficient enforcement of existing legislation in Member States	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.2 The **EU toolbox to fight tax avoidance** has been recently enhanced and new tools came into effect from 2019 and 2020. With which of the following statements do you agree?

- The impact of the new measures is not quantifiable yet. The EU should wait before taking new measures to fight tax avoidance until the impact of the existing measures is measurable.
- While the impact of the new measures is not quantifiable yet, there is margin for improvement. The EU should take action to complement the existing framework as soon as possible.

3.3 "**Shell**" or "**letterbox**" entities is a term often used in the tax area to describe **entities with little or no substance** in their place of establishment or elsewhere. Do you agree with this definition?

- yes
- no

3.4 Please explain your reply.

The current definition would catch a huge number of entities not used for aggressive tax planning or for illegal purposes. It would, for example, include completely dormant entities used only to protect a business name in a different jurisdiction and for which only the absolute minimum of administrative functions are performed (such as filing annual returns).

However, such entities can also be used as vehicles for VAT fraud, for example, and for other illegal acts. Better use of existing legislation, for example better checks by Member States on beneficial ownership and use of new technology, should be adequate to deal with these illegal uses.

We believe that providing a short and clear definition of “shell” or “letterbox” activities is difficult. For example, the definition in the OECD’s Glossary of Tax Terms (“Letterbox company: A paper company, shell company or money box company, i.e., a company which has complied only with the bare essentials for organisation and registration in a particular country. The actual commercial activities are carried out in another country”) concentrates on the overseas element and presupposes that substantial commercial activity is carried on elsewhere. This definition may not catch all uses of shell entities that cause concern for policymakers and tax authorities.

The difficulty in defining “shell” companies is also evident in the European Parliamentary Research Service’s study ‘An overview of shell companies in the European Union’. This report authors found it necessary to subdivide the definition into three elements: anonymous shell companies, letterbox companies and special purpose entities.

Despite the difficulties involved, if it is decided that specific legislation should be introduced in respect of shell entities, providing a clear and precise definition of “shell” or “letterbox” entities is essential to enable taxpayers to properly structure their businesses and for tax authorities to identify and challenge suspected aggressive tax planning. Creating a workable definition should be the Commission’s first priority, before the introduction of any specific legislation

3.5 Please indicate the extent to which you agree or disagree with the following statements

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	No opinion
Shell entities are used in the EU mostly for abusive tax purposes .	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>
Current EU rules in the field of taxation already provide tools to tackle aggressive tax planning schemes including through the use of shell entities.	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<p>Current EU rules cannot fully and effectively address the use of shell entities for tax avoidance purposes.</p>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
<p>While the EU legal framework includes adequate rules to address the use of shell entities for tax purposes, they are not properly implemented and monitored</p>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.6 Can you provide examples of how shell entities are or can be used in an abusive manner for tax purposes?

We do not have empirical data on this subject

This is an important issue and we believe that this is a key area for which the Commission should undertake research before any specific legislation is proposed.

3.7 In your opinion, to what extent the following **elements could indicate that a certain entity could be considered a shell entity** for tax planning purposes? Please select one value for each element.

	Very indicative	Indicative	Neither indicative nor not indicative	Not indicative	Not indicative at all	No opinion
Use of trust and company service providers	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Low number of employees	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of own premises	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Lack of own bank account	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Passive income as main source of income (rents, interests, royalties etc.)	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Outsourcing of income generating activities	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mostly foreign sourced turnover	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Majority of directors non-resident	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

3.8 Can you indicate commercial rationales that justify the establishment and operation of shell entities?

Can you provide concrete examples?

There seems to be a presumption that the only reason these structures are used is for tax purposes.

However, there are many valid commercial, legal and regulatory reasons where special purpose entities or holding companies can be set up by businesses, examples of which are stated below:

- To segregate and isolate of business risks
- To grant a pledge on shares
- To facilitate the raising of capital (debt or equity) to finance a given project / asset (e.g., lower funding costs due to better credit rating)
- To facilitate disposal of a given asset through share-deal (in certain case this would generally facilitate due diligence and the sale process)
- To facilitate joint-venture investment of multiple investors in a given asset
- To structure investments and to pool investors in one vehicle or permit a pooling of banks
- To organise the ownership and control of companies and family businesses
- To allow for specific profit allocation rules for a given asset (diverging from the parent company's profit distribution rules) and to put in place management incentive plan for certain managers
- To facilitate liquidity and treasury management (e.g., cash pooling)
- To facilitate management / administration of a given asset
- To facilitate debt securitisation
- To fulfil the requirement from the rating agencies and the banks to minimise as much as possible unnecessary contingent liabilities to allow a better assessment of the bond issuer and/or the securitisation vehicle
- To mitigate the compliance burden
- To provide protection from misuse of a recognised trade name in other countries
- To set up Special Purpose Vehicles for mergers and acquisitions or joint ventures in jurisdictions to avoid double taxation of the same activities
- To create a local presence in a particular country, region or town to add credibility to their business model in these locals even though goods or services are legitimately supplied remotely from another location
- To booking hotel rooms anonymously for the entertainment industry or for other security related reasons

3.9 Which of the following **business activity** do you consider most likely to be performed by shell entities for tax purposes? You can indicate several replies.

- Banking activities
- Insurance activities
- Financing/leasing activities
- Holding and managing equity
- Holding and managing real estate
- Holding and managing IP assets
- Headquarters services
- Investment Fund Management
- Shipping

Off-balance structures

3.10 Please provide examples of any other business activity you consider likely to be performed by shell entities for tax purposes. Please consider for instance situations where a company receives types of income not related to its main business activity (e.g. interests, royalties etc. received by logistics or sales companies).

As with question 3.6, we do not have empirical data on this subject.

This is again an important issue and we believe that this is a key area for which the Commission should undertake research before any specific legislation is proposed.

3.11 Which of the following **legal forms** do you consider likely to be used to create or operate shell entities that will be used for tax purposes? You can indicate several replies.

- Companies
- Partnerships with legal personality
- Partnerships without legal personality
- Foundations
- Trusts or fiduciary
- Other

3.12 Please explain your response to the previous question and provide examples.

Technically, a company could be deemed to be a corporate taxpayer by its legal form only (usually in the country of registration). Other legal forms may require that actual economic activity takes place in order to be considered a corporate taxpayer. Sometimes, however, in the case of cross-border activities, a qualification mismatch may arise. However, these types of issues should already be resolved by ATAD I and ATAD II (and its implementation), as well as the OECD Multilateral Instrument (MLI).

As with questions 3.6 and 3.9 above, we would note that there is a lack of empirical evidence on the business activities and legal forms most likely to be performed/used by shell entities for tax purposes.

Again, we believe that this is a topic that warrants additional research by the Commission.

3.13 While Small and Medium Enterprises (SMEs) can also be or make use of shell entities for tax avoidance purposes, an initiative targeting shell entities could risk to put a burden on genuine small business.

For a future intervention, which of the following options would you consider **most appropriate to alleviate any negative spill-overs to SMEs?**

- Use thresholds (e.g. on turnover or income) to exclude SMEs from the scope of such initiative
- Include SMEs within the scope of such initiative only to the extent they perform mobile activities
- No need for specific rules for SMEs
- Other

3.14 Please elaborate if you replied "other" to the previous question.

We have already commented that the definition proposed in 3.3 is too broad. There would need to be specific rules to ensure that SMEs not involved in aggressive tax planning were not accidentally captured by the definition, should it be adopted in legislation.

It is difficult to consider what specific rules would be necessary to alleviate negative spillovers to SMEs without a definite legislative proposal. A common method is to use monetary thresholds, for example, but these can themselves lead to economic distortions and often require their own anti-fragmentation provisions.

3.15 In a scenario where an entity is found not to have substantial economic activity (e.g. because it has some of the features indicated under Q.3.6) in the Member State of residence, in your view, what would be the **most appropriate consequences?**

You can tick more than one reply

- Denial of any tax advantages/benefits (e.g. relief from double taxation, deductibility of costs, application of of tax treaty benefits) for the entity
- Denial of any tax advantages for the group of entities to which the shell entity belongs
- Increased audit risk
- Making data on the shell entities public (e.g. list of shell entities)
- Monetary sanctions on the entity
- Monetary or other sanctions on the directors
- Monetary or other sanctions on the beneficiaries
- Consequences to be determined by Member States as they deem fit
- Other

3.16 Please elaborate.

If an entity is found not to have substantial economic activity, the most appropriate consequences should be to assess whether the entity shows an increased risk of aggressive tax planning activities and thereby be subject to a tax audit.

Denial of benefits for the entity or group, monetary sanctions etc. should only come into play where transactions are identified that are:

- designed to achieve a different result than what is clearly intended by the legislators and/or
- which are wholly artificial and wholly contrived and which seek to exploit loopholes, mismatches between different legislation or different treatment of structures or items in different countries.

In respect of any sanctions to be introduced, these should not be left to the discretion of Member States but should be coherent and coordinated at an EU level. The Commission should also produce guidelines to limit divergent interpretation of the rules by Member States.

3.17 The use of shell entities for tax avoidance purposes can have impacts. In your view which ones are the **most relevant impacts**?

You can tick more than one reply.

- Member States do not have the necessary resources to implement public policies
- Tax burden is distributed unfairly within the society, at the expense of compliant and/or low income taxpayers.
- Unfair competitive disadvantage to tax compliant entities
- Unfair competitive disadvantage to SMEs that have less access to cross-border tax avoidance structures
- Other impact
- No opinion

3.19 Are you aware of any **existing national rules** targeting specifically the use of shell entities for tax purposes? Please provide reference.

We do not have relevant data for this question.

3.20 **Coordination at EU level**, e.g. on what qualifies as shell entity for tax purposes and how should be treated in terms of taxation, is fundamental to tackle the problem of shell entities in the internal market.

How much do you agree with this statement?

2

3.21 Please provide other **reasons** for which you consider **that the EU should take action** to enhance the fight against tax avoidance through the use of shell entities.

We agree that any measures taken should be coordinated at an EU (and global) level to avoid issues of double taxation – particularly as the arbitration convention cannot be used in cases of different interpretation of Directives. Current unilateral rules are often effective in isolation but can increase the compliance burden on legitimate business.

However, we are not convinced that additional specific measures targeting shell entities are currently required. Many anti-avoidance measures already exist such as:

- ATAD I and II
- the various directives on administrative cooperation - notably DAC 6 (Council Directive (EU) 2018/822) that requires reporting of potentially aggressive transactions in corporate tax matters
- the modification of many bilateral tax treaties through the OECD multilateral instrument with a view to implement various anti abuse provisions, such as the principal purpose test (PPT))

Others are likely to be introduced soon in the EU or globally - such as the global minimum taxation measures and the proposed, long-awaited, revision to the Income and Royalties Directive (Directive 2003/49 /EC). These will help reduce the scale of abusive tax practices using shell entities.

We also do not agree with the current all-encompassing definition of a shell entity put forward in Q 3.3.

3.22 Please provide other **reasons** for which you consider **that the EU should not take action** to enhance the fight against tax avoidance through the use of shell entities.

We agree that the EU should take action to enhance the fight against aggressive tax planning but do not believe that specific action in respect of shell entities is required at this point. Using better data analytics, risk assessment and audit processes would help reduce tax avoidance generally.

3.23 **If the EU took new action** targeted at the use of shell entities for tax avoidance purposes, which of the following **objectives** should be pursued in priority?

You can tick more than one reply.

- Provide more incentives for voluntary tax compliance to taxpayers akin to use shell entities.
- Promote effective implementation and enforcement of the existing anti-tax avoidance tools.
- Ensure coordination of all Member States on what qualifies as shell entity for tax purposes and how it should be treated in terms of taxation.
- Promote transparency on shell entities across the EU.
-

Monitor the implementation by Member States of any new EU rules targeted at shell entities.

- All of the above
- Other

3.24 Please indicate other objectives that should be pursued.

3.25 Please provide here any comments regarding your response to the previous question and available examples.

As mentioned previously, we believe more effective implementation of existing measures, and introduction of other initiatives such as the OECD's Pillar Two, would greatly reduce the use of shell companies for aggressive tax planning.

However, should it be determined that specific measures against shell companies are required, these must be harmonised at an EU level.

3.26 **If the EU took new action** to target the use of shell entities for tax avoidance purposes, which of the following **means** do you consider most likely to be effective?

- New EU action should be primarily of soft law nature so as to take into account the specific circumstances of each case and the situation of each Member State.
- New EU action should be of hard law nature, i.e. a new EU Directive. This would ensure the necessary level of coordination in the EU to effectively tackle the problem.

3.27 Please describe any other means or combination thereof that the Commission should consider for EU action in this field.

Implementation through a Directive would theoretically be more effective, but we have often seen that Directives leave opportunity for flexibility in Member State implementation, such as with DAC 6. This flexibility can reduce the effectiveness of such provisions and increase the burden on taxpayers.

Implementation by Regulation would greatly reduce the possibility of flexibility in implementation by Member States. If this is not feasible, a combination of both approaches described in the question, would probably be more effective than either a single approach.

Using either of the two approaches mentioned in the question would require improved and harmonised mechanisms for dispute avoidance and dispute resolution, particularly as the aggressive tax planning under consideration may involve a cross-border element.

3.28 If the **EU took no further action in the short-term** to target the use of shell entities for tax avoidance purposes, which of the following **scenarios** do you consider most likely?

- Member States are keen to implement the existing tools against shell entities. In a few years they will have gained the necessary experience to tackle the problem themselves.
- Without EU action targeted at shell entities, the problem will remain.

3.29 If **new requirements** were imposed on EU taxpayers and tax administrations to tackle the use of shell entities for tax avoidance purposes, what would be the **main economic impact** in your view?

You can tick more than one reply.

- Tax collection across the EU would increase.
- Resource allocation across the EU would be optimised through better distribution of tax burden.
- Competitiveness of the internal market would increase.
- Competitiveness of individual companies would increase.
- Shell entities would be moved and set up outside the EU to maintain tax avoidance structures.

3.30 Please describe any **further major impacts** you consider likely to arise from a new EU action against shell entities, towards the above stakeholders (taxpayers, tax administrations etc.) or other.

Given the current tax developments at the international level, we would urge caution about introducing further provisions without a demonstrable need for them and that could lead to a loss of capital investment in the EU.

3.31 If new **monitoring mechanisms** were envisaged to check Member States' implementation of tax avoidance rules against shell entities, what would be the **main consequence** in your view?

- A level playing field would be encouraged. Member States would have more incentives to implement effectively the rules.
- Member States would face a new burden, while instead they should be free to implement the rules as best fits with their legislation and practice.

3.32 Please select which of the following you would consider to be an **effective monitoring system** as regards Member States' implementation of EU rules to fight

tax avoidance.

You can tick more than one reply.

- Peer review mechanism, e.g. in the context of Code of Conduct Group on Business Taxation
- Regular publication of anonymized data on compliance of entities in each Member State and on enforcement actions (audits performed, sanctions imposed)
- Commission scoreboard on Member States' performance on the basis of regular reporting by Member States to the Commission
- Other

4 Final remarks

Although not necessary, you can upload a brief document, such as a position paper in case you think additional background information is needed to better explain your position or to share information about data, studies, papers etc. that the European Commission could consider to prepare its initiative.

Please note that the uploaded document will be published alongside your response to the questionnaire, which is the essential input to this public consultation. The document is optional complement serves as additional background reading to understand your position better.

In case you have chosen in the section "About you" that your contribution shall remain anonymous, please make sure you remove any personal information (name, email) from the document and also from the document properties.

4.1 Please upload your file

Only files of the type pdf,txt,doc,docx,odt,rtf are allowed

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