PEOPLE'S MOVEMENT
GLUAISEACHT AN PHOBAIL

The People's Movement campaigns against any measures that further develop the EU into a federal state and to defend and enhance popular sovereignty, democracy and social justice in Ireland.

The Lisbon Treaty and taxation

Indirect taxes

If the Lisbon Treaty is ratified, the European Union could establish new categories of "own resources." Though these measures require unanimity in the Council and would not enter into force until they were "approved by the Member States in accordance with their respective constitutional requirements," it is clear that this opens the way for an EU taxation system, which would make the EU budget wholly independent of its member-states.

> "**The Union shall provide itself with the means necessary to attain its objectives and carry through its policies.** The Council, acting in accordance with a special legislative procedure, **shall** unanimously and after consulting the European Parliament **adopt a decision laying down the provisions relating to the system of own resources of the Union. In this context it may establish new categories of own resources or abolish an existing category.**" [Treaty on the Functioning of the European Union, article 269.]

This article would allow the EU Council of Ministers to finance the attainment of the new European Union's very wide objectives by means of "new categories of own resources," and we would be left depending on our minister having the fortitude to consistently resist all the other states in order to exercise our veto. These "resources" could include virtually any kind of tax—income tax, sales tax, company tax, property tax, carbon tax—as long as it was unanimously agreed and approved by the member-states in accordance with their respective constitutional requirements, which in Ireland's case, if the Lisbon Treaty is ratified, would mean majority Dáil approval.

The Lisbon Treaty would therefore give permission to the Taoiseach and Government to agree to various EU taxes in the future, without having to come back to the Irish people in a referendum; and it is unlikely that the EU prime ministers and presidents would resist for very long the possibility of endowing the new European Union that they would be running with its own tax resources. Such provisions as

> "The common foreign and security policy (CFSP) shall be put into effect by the High Representative and by the Member States using national and Union resources" [Treaty on the Functioning of the European Union, article 13c (3)]

are especially ominous in this regard. At present Irish personnel on EU missions—unlike UN missions—are paid for by the Irish taxpayer; and with the expansion of the common foreign and security policy this burden is likely to increase substantially.

Company taxation

Article 93 of the Lisbon Treaty proposes an important amendment to article 113 of the Consolidated EU Treaties, which makes harmonised company tax laws throughout the European Union a mandatory requirement, though this requires unanimity. This amendment states that harmonisation must take place if it is necessary "to avoid distortion of competition," allowing a country or firm to take a case at the EU Court of Justice alleging that, for example, Ireland's $12\frac{1}{2}$ per cent company tax constitutes a "distortion of competition" compared with Germany's 30 per cent rate.

It would then be open to the court to apply the EU's internal market rules on competition matters, *where majority voting applies,* to issues of company taxation. The court could then require member-states to harmonise their company taxes over a specified period, although governments would still decide the actual rates. Lisbon would therefore open a clear way around the present unanimity requirement for matters of company taxes.

And there is another method, in that the "general escalator clause" in article 48 of the Lisbon Treaty could be applied to the new article 93 in the Treaty on the Functioning of the European Union:

> "The Council shall, acting unanimously on a proposal from the Commission and after consulting the European Parliament and the Economic and Social Committee, adopt provisions for the harmonisation of legislation concerning turnover taxes, excise duties and other forms of indirect taxation to the extent that such harmonisation is necessary to ensure the establishment and the functioning of the internal market and to avoid distortion of competition."

That national differences in company taxes constitute "distortions of competition" would undoubtedly be the main argument for harmonising indirect taxes on companies, an issue that is especially sensitive in Ireland.

If the Lisbon Treaty were to be ratified, the general escalator clause or "simplified revision procedure" would be the practical way around the unanimity problem on taxes. At present the Irish people have a veto on EU indirect taxes. After Lisbon it would be the Taoiseach alone who would exercise this veto, or the Dáil majority that his Government would control. The veto that the Irish people at present have on EU company taxes would be replaced by a reliance on the Taoiseach's determination to say No indefinitely.

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