



## One year after: What place for social, ecological and contributive justice in the EU recovery package?

*One year after the start of COVID-19 in the EU: Reaction of the COMECE Social Affairs Commission to the largest package ever financed through the EU budget and its effects on social, ecological and contributive justice – March 2021.*

### Introduction

*"Without internal forms of **solidarity and mutual trust**, the market cannot completely fulfil its proper economic function<sup>1</sup>. [...] The fragility of world systems in the face of the pandemic has demonstrated that **not everything can be resolved by market freedom** [...].*

*In addition to recovering a sound political life that is **not subject to the dictates of finance**, we must put human dignity back at the centre and on that pillar build the **alternative social structures** we need."<sup>2</sup> Pope Francis, October 2020.*

One year ago, the COVID-19 pandemic hit the European Union, affecting many people's health, the economy and society as a whole. Together with the ongoing climate crisis, Europe now faces a double health and ecological emergency. Tackling both crises will require an unprecedented volume of resources. At the same time, against individualistic trends, the pandemic has revealed that - more than ever - we need solidarity among nations if we are to "**put human dignity back at the centre**".

In order to help people, families, businesses and EU Member States recover from the COVID-19 pandemic, the European Commission proposed a historic recovery package in **May 2020** with a massive budget of **€1.8 trillion**. It was approved by EU leaders in **July 2020**. The recovery package consists of the **new long-term EU budget** for the period 2021-2027 (€1100 billion), which was adopted by the Council under the German EU Council Presidency on **17 December 2020**, and the extraordinary temporary instrument '**Next Generation EU**' (€750 billion).

By jointly borrowing on the markets "*at more favorable costs than many Member States*"<sup>3</sup> as emphasised by the European Commission, the largest stimulus recovery instrument ever funded by the EU "*seems to be a move in the right direction for making solidarity between member states a reality*"<sup>4</sup> as declared by Cardinal Pietro Parolin on the occasion of the COMECE Autumn 2020 Plenary Assembly.

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<sup>1</sup> Pope Francis, Encyclical Letter Fratelli Tutti (3 October 2020), #168, after Benedict XVI, Encyclical Letter Caritas in Veritate (29 June 2009), 35: AAS 101 (2009), 670.

<sup>2</sup> Pope Francis, Encyclical Letter Fratelli Tutti (3 October 2020), #168, after Address to Participants in the World Meeting of Popular Movements (28 October 2014): AAS 106 (2014), 858.

<sup>3</sup> [https://ec.europa.eu/commission/presscorner/detail/en/QANDA\\_20\\_2088](https://ec.europa.eu/commission/presscorner/detail/en/QANDA_20_2088)

<sup>4</sup> Address by H.Em. Cardinal Pietro PAROLIN, Secretary of State of the Holy See, during the COMECE Plenary Assembly, 28 October 2020

In our first reaction to the European Commission's proposal of a recovery package in May 2020<sup>5</sup>, the COMECE Social Affairs Commission called for "*ecological, social and contributive justice*" in the EU. Today, one year after the start of the pandemic in the European Union, the present reflection paper aims to analyze some of the concrete achievements of the European Union financed through the EU budget towards **social, ecological and contributive justice**, and it also make some proposals for more **solidarity** in the recovery process.

## 1. Ecological justice

### Answering the cry of the planet and the cry of the poor

"*The COVID 19 crisis has reminded us of the fragility and interdependence of our ecosystem*", wrote the COMECE Social Affairs Commission in its first reaction to the European Commission's proposal on a recovery package on 28 May 2021<sup>6</sup>.

On 25-26 January 2021, on the occasion of the Climate Adaptation Summit in the Netherlands, Cardinal Pietro Parolin reaffirmed on behalf of Pope Francis that "*the fight against climate change and the fight against poverty are linked*". Working on the construction of our common home is a major challenge for the common good. But the fight against climate change can also be an opportunity to improve "*general living conditions, health, transport, energy and security, and to create new job opportunities. [...] We have the freedom, the intelligence and the capacity to lead and direct technology and to put it at the service of a different kind of progress: more human, social and integral*", he said.

### An ambitious EU recovery Plan towards a just green transition

The EU recovery package is seeking to strike a balance between economic growth, the protection of the environment and answering the immediate needs of the people who have been most affected by the crisis.

The European Green Deal is at the heart of the EU recovery strategy. This plan was proposed by the European Commission at the end of 2019 and proposes a series of initiatives to protect the environment and boost the green economy in order for Europe to become the **world's first carbon neutral continent by 2050**. As part of the European Green Deal, the Just Transition Mechanism (JTM) is a key tool to ensure that the transition towards a climate-neutral economy happens in a fair way, leaving no one behind. Its funding increased from €7.5 billion to €17.5 billion under the EU long-term budget 2021-2027. In total, **more than 30% of the €1.8 trillion EU fund** available under the long-term EU budget (MFF) and the extraordinary recovery fund *Next Generation EU* (NGEU) will support the green transition. It is the **largest green investment** ever developed in Europe.

**The €750 billion** recovery instrument 'NGEU' provides major funding with a focus on sustainable and digital investments. As part of the recovery strategy and its main instrument the Recovery and Resilience Facility adopted by the Council on **11 February 2021**, Member States will have to submit their **national Recovery and Resilience Plans** (NRPs) by the **end of April 2021**. In the following two months, the Commission will assess these plans. They will set out a series of **reforms and public investment projects** that shall be implemented by 2026 to support the recovery. **At least 37%** of each NRP will have to be dedicated to climate change. Regarding the digital transition, Member States should dedicate **at least 20%**

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<sup>5</sup> Statement "*Let Europe recover through justice*", COMECE Social Affairs Commission, 28 May 2020.

<sup>6</sup> *Ibid.*

of expenditure planned in their NRPs to **the digital transition**. This includes for example “*investments on the 5G and Gigabit connectivity, reforms of the education system to develop digital skills, and increasing the availability and efficiency of public services using new digital tools*”<sup>7</sup>.

In addition, three sources of revenue for the EU budget have been proposed to support the objectives of the Green Deal as part of the negotiations on the recovery package<sup>8</sup>: 1- A **plastic levy** (a national contribution on the basis of the quantity of non-recycled plastic packaging waste), 2- An **EU Emission Trading System** (ETS) (aiming to support the reduction in greenhouse gas emissions [GHG] of at least 55% [compared to 1990] by 2030), 3- A **Carbon border adjustment mechanism** (CBAM) (aiming to counter carbon leakage by putting a price on the GHG content of imports).

## **Policy recommendations from the COMECE Social Affairs Commission for a just ecological recovery**

### **1. Spend EU funds wisely to listen both to the cry of the earth and the cry of the poor**

We welcome efforts towards integral development through the integration of the *European Green Deal* as an underpinning strategy of the recovery plan. We value the top-up of the Just Transition Mechanism for the period 2021-2027 to alleviate the socio-economic impacts of the green transition **in the regions most affected**. However, the available €17.5 billion is merely a fraction of the Commission’s initial proposal of €40 billion. EU institutions and Member States should make sure that this cut does not come at the cost of **social inclusion within the Green Deal**, in allocating resources properly. We also call on Member States to make sure that the money available under the EU recovery plan is spent wisely to support **structural reforms and investments** that will have long-lasting environmental (and socio-economic) benefits, **instead of** current expenditure programs without any lasting effect. We call on the EU to ensure that projects supported by the recovery fund will effectively contribute to reduction of GHG-emissions within the EU by at least 55% by 2030.

### **2. Reconcile digital progress with the care of our common home**

“*The economy accepts every advance in technology with a view to profit, without concern for its potentially negative impact on human beings.*”<sup>9</sup> – wrote Pope Francis. When transitioning towards the digital economy and investing in digital tools, including those related to higher connectivity such as the 5G, the EU Institutions and Member States should care for our common home and people who live in it. “*It is not enough to balance, in the medium term, the protection of nature with financial gain, or the preservation of the environment with progress. Halfway measures simply delay the inevitable disaster. Put simply, it is a matter of redefining our notion of progress. A technological and economic development which does not leave in its wake a better world and an integrally higher quality of life cannot be considered progress.*”<sup>10</sup> We therefore call on the European Commission to **monitor** NRPs adequately to ensure that spending in the digital transition does not weaken parallel efforts to **meet the ecological transition**. We support the recent December 2020 Council conclusions stressing the **role of circular economy** in the recovery after COVID-19 and its link to the digital transition, notably by using “*opportunities of digital technologies for a more efficient waste management, from the collection, sorting, recovery and treatment of waste to the improved*

<sup>7</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_1659](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_1659)

<sup>8</sup> Cf. section 3 “*Contributive justice*”

<sup>9</sup> Pope Francis, Encyclical letter *Laudato Si* (2015), #109.

<sup>10</sup> Pope Francis, Encyclical letter *Laudato Si* (2015), #10

planning of recycling capacities”<sup>11</sup>. We call on the European institutions to prevent abuses in the use of digital technology that harm our common home. We urge the EU to increase policy and funding coherence in this sense.

### 3. Act as a global community and ‘consider an ethics of international relations’<sup>12</sup> to repay the ‘ecological debt’

“A worldwide tragedy like the Covid-19 pandemic momentarily revived the sense that **we are a global community**, all in the same boat, where one person’s problems are the problems of all”, wrote Pope Francis<sup>13</sup>. As inhabitants of the same planet, we rely on EU leaders to strengthen global dialogue and partnerships in a spirit of solidarity. We are conscious that “a true “ecological debt” exists, particularly between the global north and south, connected to commercial imbalances with effects on the environment, and the disproportionate use of natural resources by certain countries over long periods of time”<sup>14</sup>. EU institutions and Member States should develop measures to eradicate the transferring of polluting technologies to other countries. We call for ‘**an ethics of international relations**’ to meet a just ecological transition in all parts of the world. In addition, a just balance could be found at EU-level to allow new “green” own resources as the CBAM to finance not only the recovery fund, but also to further support the international fight against climate change in favor of the **least developed countries**, helping them to engage in clean and decarbonized technologies.

## 2. Social justice

“We are more alone than ever in an increasingly massified world that promotes individual interests and weakens the communitarian dimension of life”<sup>15</sup>. “In an increasingly globalized society, the common good and the effort to obtain it cannot fail to assume the dimensions of the whole human family”<sup>16</sup>.

According to Eurostat, in **January 2021** the **unemployment rate was 7.3%** in the EU, which is **up from 6.6%** compared to January 2020. Between December 2020 and January 2021, the number of unemployed persons increased by 29 000 in the EU. The total **employment income** at EU-level **decreased by 4.8% in 2020**, with the largest decreases due to absences, reduced hours or job losses, notably as a consequence of COVID-19. Already before the pandemic, in 2019, over **one in five Europeans** (92.4 million people) were **at risk of poverty or social exclusion** in the EU. In addition, 5.5% of the EU population faced severe material difficulties<sup>17</sup>.

### The EU recovery package, investing in people and social cohesion

Out of the **€1074.3 billion** EU long-term budget 2021-2027, a total of **€115.8 billion** is available for **investing in people, social cohesion and values**. Under this pillar, the [European Social Fund Plus](#) (ESF+) is the EU’s main instrument for investing in people and building a more social and inclusive Europe. A total of **€88 billion** is available for the period 2021-2027, directed to the countries hardest hit. In **January 2021**,

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<sup>11</sup> <https://data.consilium.europa.eu/doc/document/ST-13852-2020-INIT/en/pdf>

<sup>12</sup> Ibid, #51

<sup>13</sup> Pope Francis, Encyclical letter *Fratelli Tutti* (3 October 2020)

<sup>14</sup> Pope Francis, Encyclical letter *Laudato Si* (2015), #51

<sup>15</sup> Pope Francis, Encyclical letter *Fratelli Tutti* (3 October 2020), #12

<sup>16</sup> Benedict XVI, Encyclical letter *Caritas in veritate* (2009), #7

<sup>17</sup> <https://ec.europa.eu/eurostat/web/european-pillar-of-social-rights/indicators/social-scoreboard-indicators>

a provisional political agreement was reached by the Council and the European Parliament on the European Commission's proposal for a regulation on the ESF+<sup>18</sup>.

The ESF+ will support Member States to tackle the social impact of the COVID-19 pandemic: it will fight **poverty**, provide **food and basic material assistance** to the most deprived, invest in **young people** and **children** particularly hit by the crisis, protect and create **jobs**, support **social innovation and entrepreneurship** as well as cross border labour mobility, foster **education and skills** needed to support the green and digital transitions, and promote **social inclusion**. Through these actions, the ESF+ thus contributes to financing the implementation of the European Pillar of Social Rights (EPSR) and strengthen the **European Social Market Economy**, in line with the recently proposed European Commission's **EPSR Action Plan** on 4 March 2021.

As part of the 750 billion EU temporary recovery instrument *NGEU*, an additional €47.5 billion will also be made available under REACT-EU to tackle the **social and economic impact** of the crisis. This support will prioritize **less developed regions** and is to be spent **by 2023**. The EU also created a temporary support mechanism through SURE, which **extends national job protection programmes** to prevent risks of unemployment during the COVID-19 pandemic. Up to €100 billion can be provided under this instrument, out of which €90.3 billion have already been approved by the Council in support to 19 Member States<sup>19</sup>. Overall, *NGEU*'s key instrument, the Recovery and Resilience Facility of €672.5 billion, has the potential to **create smart, sustainable and inclusive growth and jobs**.

## **Policy recommendations from the COMECE Social Affairs Commission for a just social recovery**

### **1. Foster dialogue with CSOs in the European Semester and monitor the impacts of the EU recovery fund over time**

COMECE's Social Affairs Commission welcomes the integration of the NRPs in the European Semester, the EU's instrument to coordinate Member States' economic and social policies throughout the year. While we encourage the **transparency of NRPs** towards EU institutions in terms of spending and assessment of their implementation, this should not undermine a **transparent dialogue with Civil Society Organisations** (CSOs), Non-Governmental Organizations (NGOs), and Church actors. They should be involved at all stages in the designing, implementation and monitoring of the national plans. An open and frank dialogue with all stakeholders is needed to allow *Next Generation EU* to achieve a just recovery to the benefit of the common good. In addition, to prevent a culture of waste, we ask the European institutions for a clear measuring, reporting and evaluating of **the social and environmental impacts** of recovery policies over time.

### **2. Provide immediate assistance to people and families in need**

As Pope Francis reminds us, we are all members of one "*human family*"<sup>20</sup>. Particular attention should be paid to **avoiding a two-speed recovery** in the aftermath of this crisis, as it was the case after the last crisis. Vulnerable people should not have to wait to see improvements in their employment and living situations. Attention should also be given to inactive people who are already suffering from poverty, as well as people

<sup>18</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_21\\_225](https://ec.europa.eu/commission/presscorner/detail/en/IP_21_225)

<sup>19</sup> <https://www.consilium.europa.eu/en/policies/coronavirus/covid-19-economy/>

<sup>20</sup> Pope Francis, Message on World Day of Peace, 2014.

in precarious forms of employment who suffer from in-work poverty. We call on Member States to make **full use of the temporary instrument REACT-EU** for the period 2021-2022 to **support people in need**. We welcome amendments made under the *Fund for European Aid to the Most Deprived* ([FEAD Regulation](#)) to use an EU co-financing rate up to 100% to ensure that Member States have sufficient financial means to swiftly implement measures to **assist the most deprived**. This fund provides **food aid and/or basic material assistance** to people and families living in poverty, depending on the national needs. Although families will indirectly receive support under *Next Generation EU*, we regret that there is no specific mention on families<sup>21</sup>, who are the vital cell of our society.

### 3. Invest in a dignified life for all

*“Helping the poor financially must always be a provisional solution in the face of pressing needs – reminds Pope Francis. – The broader objective should always be to allow them a dignified life through work”*<sup>22</sup>. In the period 2014-2020 the ESF budget represented **€95.8 billion**. The ESF+ accounts now for €88 billion (in 2018 prices), which represents a budget cut of 8.1%. It is also not up to the European Commission’s proposal of May 2020 of €89.7 billion, and much under the European Parliament’s proposal of €106.8 billion. At a time of crisis, and in line with the **Action Plan** of the European Commission towards the full implementation of the [European Social Pillar of Social Rights](#), it is essential to invest in structural reforms that will boost employment and social initiatives and **enhance human dignity**. We call on the EU institutions to make sure that the money invested in Next Generation EU will support **investment in social cohesion and education**, encourage labour market reforms, and support enterprises recovery, in particular Small and Medium-sized Enterprises (SMEs), instead of refinancing debts.

### 4. Support the next generation

We welcome the increase in funding of the [Erasmus+](#) programme, making more than **€26 billion** available for the period 2021-2027 (in current prices), an increase of almost 80% as compared to the previous budget period. We welcome the top-up of €2.2 billion to enable more young people to benefit from the programme, in a spirit of inclusiveness. In addition, we call on Member States to dedicate an appropriate amount of their ESF+ resources to invest in **young people** that have been particularly affected by the COVID-19 crisis, helping them recover and improving their access to the labour market. We also welcome the recent efforts to promote increased coordination and to set up ambitious objectives for the strengthening of the European Education Area and its initiatives, such as the European Universities and the Centres of Vocational Excellence. The implementation of the Digital Education Action Plan, together with more efforts in reskilling and upskilling should also be prioritised in the future investments of the EU budget. We call for long-term, coherent and sustainable investments in these areas, which are pivotal for the future of next generations and will determine the success of each national recovery plan in the EU.

## 3. [Contributive justice](#)

### [Reducing economic inequality](#)

*Every year hundreds of millions of dollars – which should be collected as taxes and go to finance healthcare and education – instead end up in offshore accounts*<sup>23</sup>, said the Pope in February 2020, urging financial leaders to “*co-responsibility*” to reduce economic inequality, in a spirit of fraternity.

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<sup>21</sup> <https://www.fafce.org/where-is-the-family-in-the-eu-recovery-plan/>

<sup>22</sup> Pope Francis, Encyclical letter *Fratelli Tutti* (3 October 2020), #162, after Encyclical Letter *Laudato Si'* (24 May 2015), #128.

<sup>23</sup> <https://www.vaticannews.va/en/pope/news/2020-02/pope-francis-pass-inclusion-workshop-finance.html>

At a time of a pandemic, it has become increasingly urgent to tackle “*structures of sin*” that allow tax evasion and other tax offences to make sure that everyone contributes to the recovery and to prioritize common good. “*For too long, a group of Member States has blocked or diluted Commission proposals that aimed to tackle tax avoidance and evasion*”, emphasised the COMECE Social Affairs Commission, while urging for contributing justice in the recovery in March 2020<sup>24</sup>. The next paragraphs aim to identify and assess what has or should change with the EU recovery Plan, and what are some of its limits.

### New own EU resources as part of the recovery package

Currently, resources from the EU budget come mainly from Member States contributions, based on their gross national income (65% of the EU revenue in 2018) and on the value added tax they collect (11%). Other resources include revenues the EU raises directly, until 2021 limited to [customs duties](#) on imports from outside the EU (13%)<sup>25</sup>.

For a long time, the European Parliament favored new sources of revenue in the EU, arguing that spending and resources should be treated as a single package. The COVID-19 pandemic reinforced the political will to add new own EU resources to complement Member States' contributions to the EU budget, reduce the pressure on national budgets, and at least help repay the extraordinary borrowing of funds to kickstart the recovery. On 21<sup>st</sup> July 2021, [EU leaders agreed](#) on a package combining the new EU long-term budget (the so-called *Multiannual Financial Framework*) 2021-2027, the temporary recovery instrument *Next Generation EU* and the new own resources.

The underlying idea is to generate concrete new resources at the latest by the end of 2027 in order to start repayments as of 2028. The European Commission is committed to repay the borrowing for a period of 30 years until 2058<sup>26</sup>. To meet this goal, the European Parliament insisted in the negotiations on the need for a legally binding calendar to introduce new own resources. A detailed roadmap<sup>27</sup> for the introduction of new own resources was agreed by the European Parliament and the Council on **10 November 2020**, followed by the Council's adoption of the [Own Resources Decision](#) on **14 December 2020**. The decision remains **to be ratified** by all Member States and will allow the formal launch of the temporary recovery instrument Next Generation EU at the same time. As of 18 March 2021, **thirteen Member States** had ratified the decision<sup>28</sup>.

These new resources have to be linked to the EU policies and objectives, including the ecological and digital transitions, and contribute to fair taxation and to the strengthening of the fight against tax fraud and tax evasion. Envisaged new own resources are linked to a **Carbon Border Adjustment Mechanism**, a **digital levy** and an additional resource based on the **Emissions Trading System** (ETS). It is foreseen that the European Commission will present new ETS proposals by June 2021<sup>29</sup> to be implemented on 1st January 2023. This comes on top of the contribution based on **non-recycled plastic waste** that was introduced (retroactively) as of 1<sup>st</sup> January 2021. Other new own resources could include a **Financial Transaction Tax (FTT)** and a financial contribution linked to the **corporate sector** or a **new Common Consolidated Corporate Tax Base (CCCTB)** that would be introduced on 1<sup>st</sup> January 2026 (see Annex). According to

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<sup>24</sup> *Let Europe recover through justice*, COMECE Social Affairs Commission, 28 May 2020.

<sup>25</sup> [https://ec.europa.eu/info/sites/info/files/about\\_the\\_european\\_commission/eu\\_budget/budget-brochure-a5-17-05\\_interactive.pdf](https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/budget-brochure-a5-17-05_interactive.pdf)

<sup>26</sup> [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_935](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_935)

<sup>27</sup> <https://epthinktank.eu/2021/01/29/economic-and-budgetary-outlook-for-the-european-union-2021/roadmap-for-the-introduction-of-new-own-resources/>

<sup>28</sup> Belgium, Bulgaria, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Luxembourg, Malta, Portugal and Slovenia. Source: <https://www.europarl.europa.eu/legislative-train/theme-an-economy-that-works-for-people/file-mff-post-2020-own-resources>

<sup>29</sup> [https://ec.europa.eu/clima/policies/ets\\_en](https://ec.europa.eu/clima/policies/ets_en)

the European Commission, revenues raised by the CCCTB, the ETS and the one based on plastic packaging waste combined could raise **12% of the EU revenue** for the budget period 2021-2027<sup>30</sup>.

## **Policy recommendations from the COMECE Social Affairs Commission for a just contributive recovery**

### **1. Bring solidarity a step forward by ratifying the new own resources decision**

COMECE's Social Affairs Commission welcomes the message of solidarity expressed by EU leaders in their agreement to borrow together, for the first time in history, €750 billion on the financial markets to support the recovery from the COVID-19 pandemic.

Since borrowing Member States will have to repay their loans, it is essential to ensure that the funds used will boost structural reforms and investments to kickstart the recovery, instead of increasing the burden put on national Member States' public debts. Therefore, we welcome the decision to add new sources of revenue in the EU to put **less pressure** on Member States' contributions to the EU budget and enable repayments starting from 2028. We call on EU national governments to proceed as quickly as possible to join the 13 Member States that have already **ratified the decision** on own resources, to **fulfill their commitment** and bring about solidarity. This is necessary to make the temporary recovery instrument *Next Generation EU* operational and allow the Commission to start borrowing the money, with retroactive application from 1<sup>st</sup> January 2021<sup>31</sup>.

### **2. Promote fair and simple taxation to ensure that everyone contributes fairly to the recovery**

We support the decision to **simplify the calculation of the EU resources** based on value added tax and to introduce new own resources, including the announcement of a proposal for an **EU-wide FTT** by June 2024, as asked for by the COMECE Social Affairs Commission in May 2020. **Fair and simple taxation** are necessary to ensure that everyone contributes in a fair way to recovery. This is why we also welcome the measures introduced in the European Commission's Tax Package of 15 July 2020 to "*help Member States to secure the revenues they need to invest in people and infrastructure*", as emphasized by Paolo Gentiloni, Commissioner for Economy. We ask EU institutions to pursue discussions on the FTT to keep it high on the political agenda and to continue promoting increased transparency and fair and simple taxation in the EU.

### **3. Stop aggressive corporate tax competition and avoidance in the EU by harmonizing rules on corporate taxable profits**

The globalization of the economy has intensified tax competition within the EU and at international level. We have observed a "race to the bottom" of corporate tax rates since the 1980s. Though this trend is now slowing down, we need to avoid another wave and harmonize rules around corporate tax. In May 2020, the COMECE Social Affairs Commission called on the European institutions to **close the legal loopholes that allow tax avoidance** and to **agree on a new common corporate tax base** to harmonize rules on companies' taxable profits in the EU. We welcome the possibility of the EU to introduce a financial contribution based on a **new CCCTB** and call on the European Commission to pursue dialogue in this direction with all relevant stakeholders to be able to provide a proposal in June 2024.

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<sup>30</sup> <https://oeil.secure.europarl.europa.eu/oeil/popups/summary.do?id=1570507&t=d&l=en>

<sup>31</sup> [https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS\\_BRI\(2018\)630265](https://www.europarl.europa.eu/thinktank/en/document.html?reference=EPRS_BRI(2018)630265)

#### 4. Pursue negotiations for a fairer taxation model for digital companies at OECD-level

In an increasingly digital economy, enhanced by the COVID-19 crisis, the EU should actively pursue negotiations for a **fairer taxation model for the digital company at OECD level**, as we called for in May 2020. Some Multinational companies (MNCs) have largely benefited from the crisis and should adequately contribute to the much-needed public infrastructures and services to support the recovery. For a long time now, discussions have taken place at OECD-level on a **digital tax for big companies** which could consist of a reallocation of corporate tax among countries depending not only on their physical presence, but on where revenues are generated (so-called “*pillar 1*”) and on a **minimum corporate tax rate** (*pillar 2*). Results of the long-lasting negotiations have been postponed to mid-2021 in light of the pandemic.

In parallel, the European Commission has been mandated by the European Council as part of the new own EU resources to propose a directive on “*a fair and competitive digital economy*” (so-called “*digital levy*”) which should be proposed in **Q2 2021** for its possible introduction in January 2023. While we value the European Commission’s actions to find a comprehensive solution to adapt corporate taxation to the digital economy, we also ask for cautiousness when bringing forward discussions on a “*digital levy*” so as to find the right balance not to hamper efforts made at OECD-level or undermine the European Union’s competitiveness at international level.

## Conclusion

The COMECE Social Affairs Commission welcomes the EU recovery package as a new sign of solidarity in the European Union, much needed to help the people most impacted by the crisis, and to tackle the ongoing global ecological crisis. Solidarity is at the heart of the European Union and will be the key in the recovery. “*By itself the market cannot guarantee integral human development and social inclusion*”<sup>32</sup>. In this spirit, we urge all Member States to fulfill their commitment of July 2020 by ratifying the Own Resources Decision in their national Parliament, so that the recovery fund is operational by the summer. We welcome the integration of new own EU resources to ensure that everyone contributes in a fair way to the recovery, while caring for our common home and people who live in it. We stress the importance of international cooperation to find a global solution on digital taxation to increase “*solidarity and mutual trust*” in our economy<sup>33</sup>. We wish for concrete actions to be taken at OECD-level by mid-2021 to move towards a fairer taxation system in which large companies contribute in a fair way to the recovery. Finally, we would like to share a message of hope from the Presidents of the Bishops’ Conferences of the EU to the European Institutions and the Member States:

*“We are hopeful that from this crisis we can come out stronger, wiser, more united, exercising more solidarity, caring more for our common home, being a continent that pushes the whole world forward towards greater fraternity, justice, peace and equality”<sup>34</sup>.*

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<sup>32</sup> Pope Francis, Encyclical letter [Laudato Si](#) (2015), #109, Cf. Benedict XVI, Encyclical Letter [Caritas in Veritate](#) (29 June 2009), 35: AAS 101 (2009), 671.

<sup>33</sup> Pope Francis, Encyclical Letter [Fratelli Tutti](#) (3 October 2020), #168, after Benedict XVI, Encyclical Letter [Caritas in Veritate](#) (29 June 2009), 35: AAS 101 (2009), 670.

<sup>34</sup> “*Regaining Hope and Solidarity*”. [Message](#) of the Presidents of the Bishops’ Conferences of the European Union to the European Institutions and the Member States (18.11.2020).