Statement to the Joint Committee of the Irish Parliament on Finance, Public Expenditure and Reform, and Taoiseach, Dublin, 31 January 2017

I want to thank this Committee, and especially its chairman, Mr McGuinness, for inviting me to this hearing.

This year, it will be sixty years since the Treaty of Rome was signed. And competition rules – including state aid rules – have been part of the Treaty since the very first day.

Because the founders of the European Union knew that you can't have a successful single market without a level playing field.

They knew that without state aid rules, companies that were based in smaller countries would find it difficult to compete. Because their governments could not hope to win a subsidy race against big countries, with deep pockets. So when Ireland – and Denmark – joined the EU in 1973, they entered an organisation which they knew would give small countries a fair chance.

The founders also knew that without state aid rules, governments could use subsidies and special tax breaks to recreate barriers between countries.

So the state aid rules have helped to make the single market what it is. It is an open and fair market, where efficiency and innovation, not state support, are the key to success. And Ireland – with its highly educated workforce and its welcoming environment for business – has understood perhaps better than any other country how to turn membership of the single market into economic success.

I know that there is uncertainty, especially here in Ireland, about what the effects of Brexit will be. What I think is not in doubt is that the single market – even with 27 members – will continue to be the basis of our prosperity. And that it must – and will – remain a market where every company and every country, big or small, is treated equally.

This is why enforcing the state aid rules is as important now as it was when the Treaty came into force, nearly sixty years ago.

At the moment, our decisions on tax rulings are being appealed by the companies and governments involved. So it wouldn't be appropriate for me to go into the details of the legal arguments at this point. But I am very glad to have this chance to explain how we have gone about our work on state aid and tax rulings.

Our recent decisions on illegal state aid, in the form of special tax treatment, are based on principles that have been part of the law for many years. Those principles are essential to make the single market work for all countries, big or small.

The European Court of Justice made clear in the 1970s that preferential tax treatment could be state aid, in the same way as a grant given in cash. Because both undermine the level playing field, by giving some companies a benefit that isn't available to their rivals.

The Commission gave guidance in 1998 on when corporate tax rules can lead to State aid. And the European courts confirmed in 2006 that dealings between group companies had to be on market terms to avoid State aid.

So the rules on state aid and special tax treatment have been clear for a long time. What has changed recently is that multinational companies have been pushing the boundaries of aggressive tax planning.

Since that came to light, we have investigated tax ruling practices throughout the EU.

Our investigation into the Irish tax ruling began in 2013, after Apple told a US Senate hearing about what it called a "tax incentive arrangement" with Ireland. Since then, our work on tax rulings has gone far beyond that case, and beyond Ireland.

We have asked every EU Member State for information on tax rulings. And we have followed up with in-depth investigations in the most serious cases.

Those investigations have been carried out with the full involvement of the companies and governments concerned. They have led to four decisions so far, involving aid to Fiat in Luxembourg, to Starbucks in the Netherlands, to a number of large companies in Belgium and to Apple here in Ireland.

Those decisions should help the single market to work better, by giving all companies, big or small, the chance to compete on equal terms. And we will continue our work, to make sure that there is an effective deterrent against corporates' tax planning practices that are against the state aid rules.

But let me be clear about two things.

First, these cases do not mean that we object to tax rulings in principle. Tax rulings as such are perfectly legal. They give companies clarity on how their tax bills will be calculated, or how certain tax rules will be applied. We simply want to make sure that they are not used to rubber stamp a way of allocating profits that does not match economic reality.

And second, these cases do not mean that the Commission is claiming authority over tax rules – national or international. They do not affect the sovereign right of Member States to determine their own corporate tax systems, or to set their own tax rates. They are simply about special treatment for certain companies.

I believe that fighting against aggressive tax planning practices should make countries like Ireland an even better place to invest. Ireland has a highly skilled workforce and modern infrastructure. It has chosen - and this is its sovereign right - to set a low corporate tax rate. And enforcing the state aid rules means Ireland, and other EU Member States, can also offer investors a place in a fair and open single market – at the tax rate they each decide.

Thank you very much for your giving me the chance to make this opening statement. I look forward to taking your questions.