

Tax

1 – 12 May

HIGHLIGHTS

- European Parliament: PANA hearing on independence of intermediaries – 2 May
- European Parliament: ECON Committee hearing on CCCTB, Accountancy Europe participates in panel – 3 May
- European Parliament: ECON-JURI Joint Committee discusses public CBCR, tough negotiations ahead – 3 May
- European Parliament: PANA Committee hearing with Commissioner Moscovici, additional details on tax intermediaries proposal – 4 May

European Commission

Commission blocks financing using tax havens – 3 May

The European Commission has [reportedly](#) blocked the **European Investment Bank (EIB)** from financing several projects that are linked to 'tax havens'. In March 2016, the Commission informed EIB that it should verify, in the case of investments related to low or no corporate tax jurisdictions, that the structures have been established for valid commercial reasons. Apparently, once the common EU list of **non-cooperative jurisdictions** has been finalised (scheduled for December this year), it will apply to the financing activities of the EIB as well.

Commission publishes globalisation paper, tax optimisation one of the challenges of a globalised economy – 10 May

The European Commission has published a so-called [reflection paper](#) on **globalisation**, and the various opportunities and challenges that it poses to the EU. The paper refers to **tax avoidance** as one of the challenges posed by a globally integrated economy, and calls for strong EU action in areas such as tax justice and dealing with

third countries that “refuse to play fair”. At the same time, Politico [reminds](#) that EU Member States themselves have frequently failed to take progressive steps in rendering tax systems more resilient against tax optimisation.

European Parliament

PANA hearing on independence of intermediaries – 2 May

The PANA Committee has held a [hearing](#) on the studies concerning **tax intermediaries** that were published some days ago (for further details on the studies, please refer to Accountancy Europe’s [Tax Policy Update](#) from 2 May). During the hearing, the authors of the studies presented their conclusions to MEPs, concluding notably that it would be challenging to introduce EU-wide regulations of tax advisors due to the diversity of different advice providers operating under very different national rules. One of the main recurring messages that was defended by one of the authors was the notion of **abusive tax avoidance**, which is supposed to be addressed via compulsory common ethical standards.

Jeppe Kofod (S&D/DEN) asked what crucial elements the recommended EU framework for compulsory common **ethical standards** for tax advisors should contain. **Ian Roxan** replied that the essential element is good behaviour, which includes not advising on tax evasion and “abusive avoidance” (avoidance that clearly goes beyond what was intended by the legislator). **Dariusz Rosati (EPP/POL)** asked the authors about forbidding tax advisors and accountants from providing certain forms of tax advice. Ian Roxan replied that professionals should not be involved in tax evasion. It is unclear, however, to what extent onshore advice is involved in the tax evasion aspects of offshore vehicles. He believes that abusive tax avoidance is ‘imperfectly’ legal. It is difficult to draw the line in advance in legislation. Therefore, he is in favour of **ethical standards** for advisors.

ECON Committee hearing on CCCTB, Accountancy Europe present – 3 May

ECON Committee has held a [public hearing](#) on the **Common Consolidated Corporate Tax Base (CCCTB)**. The hearing was also attended by **Olivier Boutellis-Taft**, the CEO of Accountancy Europe. During the hearing, the speakers discussed threats and opportunities of the proposed CCCTB framework and potential winners and losers across Member States. A majority of the speakers welcomed the mandatory approach. It was also stressed that SMEs would benefit from the proposal. The European Commission stressed that it is not seeking to create a minimum corporate tax rate in Europe, and will aim to ensure that there are no separate winners and losers. Olivier Boutellis-Taft called for **international cooperation and ‘smart regulation’ on tax**, and argued that the formula apportionment will inevitably produce winners and losers, at least in the short term. Therefore, the focus should be on making CCCTB universally acceptable to all. **Richard Murphy**, for his part, emphasised the need for clear and comprehensive European **accounting standards** since this forms a solid basis for a CCCTB.

ECON, LIBE Committees reject proposed blacklist of countries at risk of money-LAUNDERING, CRITICIZE LACK OF ‘TAX CRIMES’ AS CRITERION – 3 May

ECON and JURI Committees of the European Parliament have again [rejected](#) the Commission’s proposed blacklist of high-risk jurisdictions for **money-laundering**. The MEPs notably criticise the Commission’s list for not including **tax crimes** as one of the offences potentially leading to money-laundering. The EU is aiming to devise a separate list of **non-cooperative jurisdictions** in the area of taxation by the end of the year.

ECON Committee votes on reduced VAT rates for e-publications – 3 May

The ECON Committee of the European Parliament has voted on a [draft report](#) on the **VAT rates** applicable to **e-publications**, prepared by the MEP **Tom Vandenkendelaere (EPP/BEL)**. In the report, the MEPs agree with aligning the VAT treatment of both physical and e-publications. The report passed with 48 votes in favour, one against and

two abstentions. The European Parliament may only provide its opinion on the dossier, which the Member States will not have to take into account.

ECON-JURI Joint Committee discusses public CBCR, tough negotiations ahead – 3 May

The joint ECON-JURI Committee held a meeting on **public Country by Country Reporting (CBCR)** on 3 May. The main areas of contention remain the **threshold** (where the left is calling for lowering it to €40 million), the aggregation of data and specific disclosure requirements. ALDE Group expressed concerns that public CBCR could be harmful for Europe's competitiveness in particular given the prospective corporate tax reforms in the US. The EPP, for its part, insists that the €750 million threshold is at an appropriate level and is concerned about public CBCR potentially exposing sensitive business information. In terms of **next steps**, the joint Committee is expected to vote on the dossier on 30 May.

PANA Committee hearing with Commissioner Moscovici, additional details on tax intermediaries proposal – 4 May

Commissioner Moscovici has attended a hearing of the PANA Committee. During the hearing, he revealed additional details on the proposal on disclosure rules for **tax intermediaries** expected for June. The proposal appears to be a completely new Directive, as opposed to an amendment to an existing one, such as the Directive on Administrative Cooperation (DAC). Its objective will be to provide tax administrations with necessary information that they need for plugging unintended holes in national tax systems. The directive will cover all intermediaries that provide tax advisory services, regardless of their professional background. Moreover, it will also apply to intermediaries based outside of the EU – in such cases, the disclosure obligation would fall on the EU-based taxpayer, rather than the advisors. The proposal will include clear **sanctions**, but there will be no criminal sanctions. Finally, the Directive will include clear criteria for identifying those schemes that should be disclosed to national tax administrations, as well as a set of common key definitions.

Eurobarometer: European citizens want more EU action on tax fraud – 5 May

The latest figures of the **Eurobarometer** have been published. Of particular interest, the figures [reveal](#) that 74% of respondents from across Europe would like the EU to do more in the fight against **tax fraud**.

PANA hearing with European offshore jurisdictions – 9 May

PANA Committee has held a [hearing](#) with representatives from **Madeira, Gibraltar** and the **Channel Islands**. The purpose of the hearing was to focus on alleged “**tax haven**” jurisdictions belonging to EU Member States. Expectedly, the representatives of the jurisdictions denied any tax haven allegations. The representative from Madeira stressed that the island has already removed certain tax benefits, which led to over 4000 companies register themselves elsewhere – notably, Luxembourg, Austria and the Netherlands. All jurisdictions present stressed their commitment to transparency and international cooperation. The next PANA Committee hearing will take place on 30 May.

Court of Justice of the EU – Rulings

Ruling on VAT Directive concerning independent groups of persons – 4 May

The Fourth Chamber of the Court of Justice of the EU has issued a [ruling](#) on VAT rules and **independent groups of persons (IGPs)**. The case code is C-274/15. In the ruling, the Court establishes that **Luxembourg** has transposed

in too wide a manner the rules in the VAT Directive covering IGPs. The Court argues that according to the VAT Directive, only the services rendered by an IGP and directly necessary for the exercise of the exempt activities of its members may fall outside the scope of VAT. Under the Luxembourgish legislation, however, the services rendered by an IGP to its members are exempt from VAT not only where those services are directly necessary to the non-taxable activities of the members, but also where the share of the members' taxed activities does not exceed 30% of their total annual turnover excluding tax.

Ruling on the principal supply of education and VAT - 4 May

The First Chamber of the Court of Justice of the EU (CJEU) has issued a [ruling](#) on the principal of **supply of education** and **VAT**. The case code is C-699/15. In the ruling, the Court establishes that activities carried out by students of a higher education establishment supplying, as part of their education, restaurant and entertainment services to third parties may be regarded as supplies 'closely related' to the principal supply of education and accordingly be exempt from VAT.

Ruling on VAT for supply of services to high seas navigation - 4 May

The Eighth Chamber of the Court of Justice of the EU (CJEU) has issued a [ruling](#) on **VAT** for supply of services to **high seas navigation**. The case code is C-33/16. In the ruling, the Court establishes, first, that loading and unloading of cargo are services supplied for the direct needs of the cargo of vessels. Second, such services as well as services supplied in earlier stages (e.g. services supplied by a subcontractor to an economic operator which then re-invoices them to a freight forwarder or transporter, or services for loading and unloading of cargo supplied to the holders of that cargo, such as the exporter or importer may) also exempt from VAT.

Ruling on the transfer of ownership of immovable property - 11 May

The Second Chamber of the Court of Justice of the EU (CJEU) has issued a [ruling](#) on the **transfer of ownership** of immovable property. The case code is C-36/16. In the ruling, the Court establishes that the transfer of ownership of immovable property occurring in payment of tax arrears by a person subject to VAT does not constitute a supply of goods for consideration that is subject to VAT.

International

"Irish Firms Unfazed By US Tax Reform Plans" - 28 April

The Irish business association **Ibec** has [stated](#) that the **US tax plans** as revealed by the Trump Administration recently will not have as big a negative impact on the Irish economy as initially feared. The absence of the so-called **Border Adjustment Tax (BAT)**, in particular, was a relief. Ibec believes that **Ireland** will still remain an appealing place of investment and establishment for US businesses for years to come.

IMF issues guidance for taxing the wealthy - 5 May

The IMF has published [guidance](#) for **tax administrations** to ensure a better taxation of **high-wealth individuals**. It explains the rationale for a specialized compliance program for such taxpayers and provides guidance on defining the population of wealthy individuals. It, moreover, provides advice on how to assess readiness for such a compliance program, taking into account the legal framework, the political environment, the availability of the necessary data and the administration's capacity to implement it. The guidance then gives practical advice on

implementing a high wealth individual compliance program, using a compliance risk management model as its foundation.

GERMAN REGION TAKES AIM AT MALTA'S TAX SYSTEM – 12 May

North Rhine-Westphalia (NRW) has taken issue with the **tax system** of **Malta** after an [anonymous leak](#) of the names of over 70,000 companies registered on the island were leaked to the region's tax administration. This includes approximately 2000 German citizens and companies. This provoked NRW's Minister of Finance, **Norbert Walter-Borjans**, to refer to Malta as the "Panama of Europe". German authorities are suspecting these companies and individuals to be involved in tax avoidance and evasion. NRW has stated that it is willing to share the information with other concerned countries as well.

OECD

OECD releases CbC reporting implementation status and exchange relationships between tax administrations – 4 May

OECD has [published](#) information on the latest implementation and exchange of information status of **Country by Country Reporting (CBCR)**, under BEPS Action 13. More than 700 automatic exchange relationships have now been established among jurisdictions committed to exchanging CBC Reports as of 2018, including those between EU Member States as established under the Directive on Administrative Cooperation (2016/881/EU).

OECD launches facility to disclose CRS avoidance schemes – 5 May

OECD has also [launched](#) a new tool allowing interested parties to report potential schemes to circumvent the **Common Reporting Standard (CRS)**, including anonymously. This facility is part of a wider process that the OECD has put in place to deal with schemes that purport to avoid reporting under the CRS. As part of this process, all reported schemes will be systematically analysed by the OECD with a view to assessing the risk they present to the overall integrity and effectiveness of the CRS and agreeing appropriate courses of action.

Other News

EESC holds hearing on taxation of the digital economy – 5 May

The **European Economic and Social Committee (EESC)** has held a [public hearing](#) on the challenges of taxing the **digital economy**. Professor **Rita de la Feria** from University of Leeds highlighted the fundamental digital shift that economies and consumption patterns are going through. She emphasised the need for tax systems to adapt to the new reality of digitalised economies, as under current rules the system is prone to fraud. EESC is currently preparing an opinion on the taxation of the **sharing economy**, and the hearing will feed into its work.

"TRUMP'S TAX PLAN TRIES TO TAKE AWAY the drinks tray" – 9 May

Barney Jopson writes in Financial Times (article only available to subscribers) about the practical and political [difficulties](#) ahead for the Trump Administration's **ambitious tax plans**. He is particularly critical about the planned removal of numerous **tax deductions** and special tax break regimes, elaborates on the practical consequences for

certain segments of citizens and businesses, and consequently predicts tough negotiations ahead for the Administration.

MEP Questions & Answers

Commission negotiations with US government concerning US corporate tax policy – 19 April

The European Commission has replied to a question asked by the MEP **Fabio De Masi (GUE-NGL/GER)** with regard to Commission negotiations with the **US Government** on the anticipated **US tax reforms**. In his [question](#), Mr. De Masi asks the Commission whether it has discussed with the US Government the potential **Border Adjustment Tax (BAT)**, and whether it considers the time limits on the period during which US corporations may engage in tax inversions without repatriation of profits, together with the potential lowering of the US corporate tax rate, to pose a risk to taxing the economic activity of those corporations in the EU. In his [reply](#), **Commissioner Moscovici** states that the Commission holds a regular dialogue with third countries on tax, and follows closely the tax reform debates taking place in the US.

State of play of the FTT – 28 April

The European Commission has replied to a question asked by the MEP **Tibor Szanyi (S&D/HUN)** with regard to the state of play of the **Financial Transaction Tax (FTT)**. In his [question](#), Mr. Szanyi asks the Commission how it will keep FTT on the agenda for 2017, whether it has alternative policy options with similar impact to that of a FTT in mind in case the ongoing negotiations fail, and whether British banks will be able to continue to use the banking passport system once the UK has left the EU. In his [reply](#), **Commissioner Moscovici** re-iterates the Commission's commitment to provide technical assistance to the 10 negotiating Member States, and there are no other similar tax plans in the horizon. On the UK, the Commissioner simply states that access to the Single Market requires adherence to the four freedoms (including freedom of movement), and the UK has made clear its intention to withdraw from the Single Market.

Events

- 24/05/2017, *A favourable tax system for fair competition and growth*, EESC, Brussels. [Source](#)
- 30/05/2017, *Tax Day 2017*, Accountancy Europe, Brussels. [Source](#)
- 06/06/2017, *Making whistleblowing work for everyone*, Accountancy Europe, Brussels. [Source](#)
- 08/06/2017, *Reforming European VAT*, Public Policy Exchange, Brussels. [Source](#)
- 28-29/06/2017, *Tax Fairness Conference*, European Commission, Brussels. [Source](#)