

Tax Policy Update

15 – 26 April

HIGHLIGHTS

- European Parliament disappointed by no agreement on digital tax, European Commission confirms digital tax might return if OECD fails to deliver
- France calls for EU framework to regulate cryptocurrencies, including to introduce a tax regime
- Brussels-based think-tank calls for qualified majority voting on tax, CCCTB and digital taxes

European Commission

Commission proposes tax exemption measures to facilitate common defence efforts – 24

The European Commission has proposed to exempt supplies to armed forces from VAT and excise duties when these forces are deployed outside their own Member State and take part in a European defence effort under the Common Security and Defence Policy (CSDP).

Supplies to armed forces participating in a NATO defence effort can already benefit from such exemptions. The new Commission proposal should therefore ensure equal treatment of defence efforts under the NATO and the EU framework when it comes to VAT and excise duties.

As always with tax proposals, EU Member States will have to adopt the proposal by unanimity. The European Parliament, in turn, will only submit its non-binding opinion.

European Parliament

European Parliament laments lack of progress on digital tax, Dombrovskis hints that digital tax may return if OECD fails by 2020 – 15 April

The European Parliament Plenary has held a hearing with the European Commission Vice-President **Valdis Dombrovskis** on the failure of the Council to agree on the EU digital services tax (DST) at the March ECOFIN. For further details on this ECOFIN meeting, please consult Accountancy Europe's [Tax Policy Update](#) from 15 March.

At the hearing, Mr. Dombrovskis blamed the unanimity rule in the Council for the proposal's failure, as it was defeated by merely four Member States. He therefore emphasised the need to move to qualified majority voting (QMV) on tax proposals.

Nevertheless, Mr. Dombrovskis also highlighted that the work on the DST was not in vain, as it stimulated the discussion at the OECD-level. Moreover, he underlined that the proposal may be brought back if no agreement can be reached at OECD level by 2020. And finally, the DST proposal provides a template that Member States can use at national level should they opt for their own digital tax measures.

European Parliament seals the deal on Fiscalis reform, joint audits included in the scope of the programme – 17 April

The European Parliament Plenary has adopted the [partial provisional agreement](#) on the Fiscalis programme for cooperation in the field of taxation with 575 votes in favour, 35 votes against and 46 abstentions. The file is led by the MEP **Sven Giegold (Greens-EFA/Germany)**.

Fiscalis programme is designed to encourage and facilitate cooperation between EU Member States' tax administrations. The now adopted provisional agreement should ensure the programme's funding for the period of 2021-2027. The agreement also includes a list of priority actions on which national tax authorities should work to combat tax evasion and fraud and adds joint audits to the activities covered by the programme.

In its position, the European Parliament calls for a total funding of EUR 339 million, but the exact amount will have to be agreed on with the EU Member States as part of the negotiations on the EU budget for 2021-2027. In comparison, the Fiscalis programme had a budget of EUR 223 million for 2014-2020.

International

UK Sets Out VAT Reform Initiatives – 5 April

The UK government is about to release a whole policy package on VAT reforms, UK's Chancellor [Philip Hammond announced](#).

As a first step, the government plans to publish a policy paper in the next few months presenting potential reform of VAT refund rules, efforts to reduce administrative burdens and improvements to public sector productivity.

The government will also launch a call for evidence on simplification and improvement of the VAT Partial Exemption regime, to ensure simplicity and efficiency for taxpayers. And finally, to address the Paradise Paper revelations, the government will release its findings and recommendations following a review of VAT administration in the Isle of Man.

Denmark Seeks To Modernize Labor Tax Rules in Light of technology – 5 April

The Danish Tax Ministry has [announced](#) its plans to adapt the tax system to new forms of employment and ways of working, with an emphasis on technological developments.

The Ministry points out that income tax and VAT have different impacts on works that are employed, self-employed and those in-between the two. This last category faces particular challenges to fulfil and correctly pay their income tax and VAT obligations, and the Ministry estimates that 300,000 people in Denmark fall into it.

To address this issue, the Tax and Customs Administration will submit in the course of 2019 a report with recommendations on how such tax challenges can be overcome.

France calls for EU approach to tax cryptocurrencies – 15 April

French Finance Minister **Bruno Le Maire** calls for the EU to adopt a single regulatory framework for crypto-assets, based on new French legislation.

France is the first major country to adopt a legal framework for cryptocurrency. It allows firms that want to issue new cryptocurrencies or trade existing ones to apply for a certification. The certification will be granted by the French market regulator, and investors and issuers will have to pay taxes on profits they make on those securities. The certification will also give basic guarantees against fraud, money laundering, but no protection is granted against losses.

The European Commission has already launched a study on how to regulate cryptocurrency markets, but no legislation is expected until late 2019 and the new mandate at the earliest.

Dutch Government announces six new studies looking into the future of tax – 18 April

The Dutch government is preparing six studies that look into the way in which taxing digital platforms, capital, corporate profits, environment and the overall tax mix is to be shaped.

With the studies, the government aims to provide ‘building blocks’ for improvement and simplification of the tax system. These studies should be out by the beginning of 2020 with concrete proposals for the next government to work on.

Emmanuel Macron promises tax cuts in new round of French reforms – 25 April

The French President **Emmanuel Macron** has promised major tax cuts, among other measures, in response to the Yellow Jackets protests and to appease public outrage.

Among his pledges: to cut income taxes and to bolster the fight against loopholes in tax legislation. He did, however, also defend his earlier decision to abolish the wealth tax and replace it with a property tax. These pledges apparently amount to EUR 5 billion worth of tax cuts.

It remains to be seen to what degree these measures will appease public outrage against what they perceive as an unequal and unfair economic and tax system. Either way, it is safe to expect the French government to continue calling for robust and extensive tax measures at the EU-level too.

Google wins again in French court on a tax dispute – 25 April

Google has won another round in its dispute against a EUR 1.1 billion French tax bill after a second French court rejected claims that the company had abused loopholes to avoid paying its fair share of tax.

The Paris administrative court of appeals confirmed a 2017 ruling at a lower tribunal that rejected the French tax authority’s claim, confirming that its reasoning was sound. The lower court found in 2017 that Google did not illegally avoid French taxes by routing sales through Ireland.

OECD

OECD publishes 2017 model tax treaty – 25 April

The OECD has published the full version of its 2017 Model Tax Convention. The Model Convention aspires to provide a means to settle on a uniform basis the most common problems that arise in the field of international juridical double taxation.

This full version contains the full text of the Model Tax Convention, including the Articles, Commentaries, non-member economies' positions, the Recommendation of the OECD Council, the historical notes and the background reports. The full version is published regularly to reflect updates.

State Aid

Google's Ireland Tax Arrangement Draws More EU Scrutiny – 15 April

Reportedly, the European Commission is probing Google's tax arrangements with Ireland, and specifically whether these arrangements are in breach of EU's state aid rules.

Recent talks took place in late-2018, and any possible actual investigative action by the Commission is still under consideration. However, apparently Irish authorities are confident that the initial talks with the Commission have been successful in defusing any concerns of illegal state aid.

Whether this confidence is warranted remains to be seen.

Other News

EPC publishes paper on EU priorities for 2019-2024 – April

The Brussels-based think-tank European Policy Centre (EPC) has published a paper presenting its priorities for the EU for 2019-2024. Interestingly, the paper includes a number of tax recommendations.

The report calls for more common and strengthened tax policies in the EU, including a CCCTB, targeting wealthy companies and taxpayers that are better able to do tax avoidance, taxing digital giants and introducing qualified majority voting (QMV) for tax decision-making in the EU. The report also sees tax as a key element in addressing social injustices as well as public feelings of unfairness in the economy.

EPC is a well-known and well-regarded think-tank whose views tend to be highly regarded in EU policy circles.

FACT Coalition publishes new report on public CBCR – 23 April

The Financial Accountability and Corporate Transparency (FACT) Coalition has published a [report](#) which argues that public CBCR is increasingly popular amongst investors, businesses and policy-makers.

The report provides a useful one-stop-shop overview of current global tax transparency initiatives, including:

- Policy-makers: Canadian, EU and UK regulatory initiatives on public CBCR
- Businesses: Vodafone, Unilever, BHP Billiton and Rio Tinto publish in varying degrees CBCR data
- Investors: UN Principles for Responsible Investment, Norges Bank Investment Management and Certified Financial Analysts' Institute all support public CBCR

FACT is a grouping of 100 or so NGOs working on tax transparency. Its membership includes Transparency International, Action Aid, Oxfam and Tax Justice Network.

EU car industry publishes tax guide – 24 April

The European Automobile Manufacturers Association (ACEA) has published a [Tax Guide](#) that presents a comprehensive overview of specific taxes that are levied on motor vehicles in Europe, as well as in other major markets around the world.

The 2019 Tax Guide contains all latest information about taxes on vehicle acquisition (VAT, sales tax, registration tax), ownership (annual circulation tax, road tax) and motoring (fuel tax).

In addition to looking in detail at the 28 EU Member States and the three EFTA countries Iceland, Norway and Switzerland, the Guide also provides in-depth tax information for Brazil, China, India, Japan, Korea, Russia, Turkey and the US.

Events

- 08/05/2019, *With(out) Holding Tax*, Accountancy Europe, Brussels. [Source](#)
- 06/06/2019, *Creating Tax Certainty in an Uncertain World*, CFE, Brussels. [Source](#)

Have a tax event upcoming that you would like to flag in the Tax Policy Update? E-mail Johan Barros at johan@accountancyeurope.eu