



BRUSSELS | JUNE 2020

## 1. US Withdraws from International Digital Tax Negotiations

On 17 June US Trade Representative Robert E. Lighthizer confirmed that the US was withdrawing from OECD Inclusive Framework discussions on taxation of the digital economy. The decision was communicated to European Finance Ministers in a [letter](#) last week, igniting fears of a [trade war](#) between the EU and US.

The OECD published a public statement in response to the developments, with OECD's Secretary-General, Angel Gurría, stating *"All members of the Inclusive Framework should remain engaged in the negotiation towards the goal of reaching a global solution by year end...Absent a multilateral solution, more countries will take unilateral measures and those that have them already may no longer continue to hold them back. This, in turn, would trigger tax disputes and, inevitably, heightened trade tensions. A trade war, especially at this point in time, where the world economy is going through a historical downturn, would hurt the economy, jobs and confidence even further. A multilateral solution based on the work of the 137 members of the Inclusive Framework at the OECD is clearly the best way forward."*

EU Commissioner for the Economy, Paolo Gentiloni, responded to the decision [stating](#) *"We need a digital tax adapted to the reality of the new century. An agreement is needed in the global negotiations. If the American withdrawal makes it impossible, the EU Commission will put a new European proposal on the table"*. A failure to agree an agreement at international level will very likely lead to a raft of further unilateral digital taxes being introduced, and retaliatory tariffs, escalating to trade wars.

A virtual meeting of the Inclusive Framework is scheduled to take place in July to discuss progress made by the working groups. It was expected that details of the key policy features would be agreed and made public in October and a report produced for the G20 by the end of the year on the final solution agreed on by the Inclusive Framework.

## 2. EU Commission COVID Recovery Package

The EU Commission recently presented its [recovery package proposal](#) to “repair and prepare” the European Union following the impact of the coronavirus crisis on the EU economy. The package comprises a new recovery instrument, the Next Generation EU, embedded within the EU budget for 2021 – 2027, as well as specific reforms to the EU budget itself. An updated [Work Programme](#) was also published alongside the proposals.

750 Billion Euros will be raised by the Next Generation EU recovery instrument, by lifting the ceiling on own borrowing on the open market, with funds to be invested in EU programmes and repaid from EU budgets between 2028 and 2058. The fund will support Member State investments and reforms, incentivise private investment and strengthen EU healthy security and prepare for future crises. The fund will invest in programmes that align with EU policy priorities; in particular the European Green Deal, in circular economy and renewable energy projects, as well as in projects that strengthen the Single Market and the EU’s digital and technological presence.

Further details are available [here](#).

### 3. OECD Publishes Report on Restorative Planning by Tax Administrations

The OECD has published a [report](#) prepared by the Forum on Tax Administration in co-operation with the Intra-European Organisation of Tax Administrations and the Inter-American Center of Tax Administrations concerning how tax administrations can benefit from significant early business restoration planning for the recovery period from the coronavirus crisis. The report was published alongside another [report](#) highlighting the significant security, fraud and privacy risks posed by the crisis.

Director of the Centre for Tax Policy & Administration of the OECD, Pascal Saint-Amans, commented that *“Early planning for the recovery period from COVID-19 is critical given the scale of the challenges and risks that lie ahead. The collaborative work being undertaken by the FTA, CIAT and IOTA, including outreach to developing countries, is vitally important in helping to mitigate those risks as well as identify opportunities to increase the effectiveness and efficiency of tax administration in a post-crisis world.”*

The Forum on Tax Administration are working on identifying future priorities, in particular concerning digitalization of tax administrations, difficulties concerning taxpayers working cross-border, as well as further issues arising from business continuity and recovery considerations.

### 4. EU Cross-Border Arrangement Reporting Deferral Directive Enters Into Force

The proposal as agreed by Member States in early June to defer deadlines for exchange of information under the administrative cooperation directive as a result of the coronavirus crisis has now been [published](#) in the Official Journal of the European Union and has entered into force.

The Directive provides the option for Member States to postpone deadlines imposed by the EU Directive on Administrative Cooperation for reporting of relevant cross-border arrangements by 6 months. The Directive also provides that the Council can agree to extend the deadlines in the Directive by a further 3 months, if required by the circumstances surrounding the coronavirus.

The Directive allows Member States to defer deadlines arising out of the Directive as follows:

- Defer time limit for exchange of information on Reportable Financial Accounts from 30/09/2020 to 31/12/20 (note: DAC2 – CRS)
- Defer date for 1st exchange of DAC6 information from 31/10/20 to 30/04/21
- Defer date for beginning of 30 days period for reporting cross-border arrangements from 01/07/20 to 01/01/21
- Defer date for reporting 'historical' arrangements (that became reportable from 25/06/18 to 30/06/20) from 31/08/20 to 28/02/21

Certain Member States have already proceed to introduce legislation transposing the extension to the reporting deadline into domestic law.

## 5. Platform for Collaboration on Tax Issues Toolkit on Taxation of Offshore Indirect Transfers

The Platform for Collaboration on Tax Issues have issued a [Toolkit](#) on the Taxation of Offshore Indirect Transfers, concerning the design and implementation issues on taxing offshore indirect transfers.

The Toolkit aims in particular at addressing concerns of developing countries which are rich in natural resources, surrounding the indirect transfer of assets related to the natural resources, and suggests models for domestic legislation incorporating taxation of offshore indirect transfers.

## 6. IBFD Launches 2019 Yearbook on Taxpayers' Rights

On 8 June, the IBFD [published](#) the 2019 Yearbook on Taxpayers' Rights, the most recent compilation of information by the Observatory on the Protection of Taxpayers' Rights concerning global developments in the protection of taxpayers' rights.

The release of the 2019 report is accompanied by video presentations recorded by Prof. Dr Pasquale Pistone, Prof. Dr Philip Baker and Prof. Dr Carlos E. Weffe examining global developments and identifying recent trends in taxpayers' rights protection.

The report and videos can be viewed [here](#).

## 7. UN Committee of Experts on Tax Matters June Session Meeting

The UN Committee of Experts on International Cooperation on Tax published the [agenda and session papers](#) ahead of their 20<sup>th</sup> Session meeting, which was held virtually between 22 and 26 June.

The session addressed progress on updating the Model Double Taxation Convention and Transfer Pricing Manual, as well as on new guides being developed on tax dispute avoidance and resolution and environmental taxation. Issues related to the digitalisation of the economy and sustainable development goals were also discussed at the Session.

## 8. EU Commission Publishes Brexit Update

The European Commission has published an updated [Notice to Stakeholders](#) concerning the EU rules applicable to services in light of the UK withdrawal from the EU.

The Notice confirms that during the transition period the UK continues to be subject to the EU VAT Directive in respect of transactions for services made during this period. Thereafter, the Notice sets out that for supplies of services, suppliers from the UK will need to register under the mini-one-stop-shop as a supplier in the relevant Member States. Additionally, requests for cross-border VAT refunds between the UK and Member States will be subject to the 13<sup>th</sup> VAT Directive following the transition period.

A [EU-UK statement](#) issued last week confirms that the UK will not entertain an extension of the transition period, and states that significant progress still needs to be made to agree an exit deal. It indicates that negotiations will be intensified in the coming months.

## 9. US Launches Trade Investigations Into Countries with Digital Taxes

The Office of the US Trade Representative has [announced](#) the US will be carrying out investigations under Section 301 of its 1974 Trade Act concerning digital services taxes that have either been adopted or are being considered at political level by a number of countries worldwide. The jurisdictions listed include: Austria, Brazil, the Czech Republic, the European Union, India, Indonesia, Italy, Spain, Turkey, and the United Kingdom.

A similar investigation was carried out by the US in 2019 into the French digital services tax, following the French digital tax being signed into law on 24 July 2019. Threats of retaliatory tariffs escalating into a trade war were avoided after an agreement was reached in January 2020, in which the US agreed to suspend the imposition of tariffs on French goods whilst France agreed not to collect the digital tax until the end of 2020, subject to an OECD agreement by the end of year.

## 10. CFE Reappointed to the EU Platform for Tax Good Governance Expert Group

CFE Tax Advisers Europe is pleased to [announce](#) that it has been appointed as a **non-governmental member of the European Commission's Platform for Tax Good Governance, Aggressive Tax Planning and Double Taxation**. The Platform was established by the European Commission in order to seek advice and assistance from expert

stakeholders in the field of tax good governance, aggressive tax planning and double taxation. The Platform also provides an opportunity for members to exchange views and have an open dialogue with the European Commission concerning significant taxation issues facing the tax profession and wider society.

CFE is honoured to be among the [limited number of non-governmental members](#) and to be the only organisation of advisers in the professional tax field selected to participate in the important work the Platform carries out. In line with [Commission Decision 2019/C 428/08](#) on the renewal of the platform's members, CFE's mandate at the Platform for Tax Good Governance will run **until 31 October 2022**, after which time CFE will have the possibility to renew its participation. CFE will be represented at the Platform by CFE President, **Professor Piergiorgio Valente** and **Aleksandar Ivanovski**, Tax Policy Manager at CFE Tax Advisers Europe.

CFE has been a member of the Platform since its inception in 2012 and has benefited from the opportunity to provide its input on many significant taxation issues through its participation at the expert group. CFE accordingly welcomes the Commission's decision to renew the Platform's mandate. Given the technical expertise within the CFE organisation and its status as being a leader in tax knowledge, its participation in the EU Commission VAT Expert Group, EU Commission VAT Forum and UN Committee of Experts in International Cooperation in Tax Matters, CFE looks forward to being able to draw on the direct link it has to the experience of practitioners across the EU and its regular involvement in the areas of tax good governance, double taxation and tax planning to contribute to the valuable work of the Platform.



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