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## EU Council Adopts VAT Quick Fixes Legislation

The Council of the European Union has [adopted](#) legislation aimed at rectifying a number of issues in relation to the day-to-day running of the EU VAT system, known as VAT “quick-fixes”.

The fixes were designed to address specific issues with EU VAT rules, pending the introduction of a definitive EU VAT Regime, as follows:

- Call-off stock arrangements – simplification and harmonisation of rules regarding call-off stock arrangements, where a vendor transfers stock to a warehouse at the disposal of a known acquirer in another member state;
- VAT identification number – introduction of an identification number for a customer as an additional condition for VAT exemption for intra-EU supplies of goods;
- Chain transactions – simplification and harmonisation of rules regarding chain transactions; and
- Proof of intra-EU supply – introduction of a common framework of criteria of documentary evidence required to claim a VAT exemption for intra-EU supplies.

The fixes will apply from 1 January 2020. Council discussions concerning the legislative proposals that introduce the definitive VAT system are ongoing.



## Anti-Money Laundering Action Plan Adopted by EU Council

A [detailed action plan](#) setting out the means by which money laundering is to be monitored and addressed was adopted by the EU Council on 4 December.

The plan identifies key objectives of: identifying contributing factors to money laundering within EU banks, mapping money laundering and terrorist financing risks and best practices to address them, enhancing and improving supervision and information exchange between authorities, sharing best practices among authorities and improving existing EU supervisory authorities powers and tools.

The fifth AML directive is due to be transposed into national legislation by January 2020. The most recent legislative proposal of the EU Commission to strengthen AML supervision is currently under discussion by the Council.



## ECJ Rules that the UK Can Unilaterally Withdraw Article 50 Notification

The Court of Justice of the European Union has today made public its [decision](#) that the United Kingdom can unilaterally revoke its notification to withdraw from the European Union under Article 50 of the TEU.

The Court held that “notification by a Member State of its intention to withdraw does not lead inevitably to the withdrawal of that Member State from the European Union. On the contrary, a Member State that has reversed its decision to withdraw from the European Union is entitled to revoke that notification for as long as a withdrawal agreement concluded between that Member State and the European Union has not entered into force or, if no such agreement has been concluded, for as long as the two-year period laid down in Article 50(3) TEU, possibly extended in accordance with that provision, has not expired.”

The Court also held that any “revocation must be decided following a democratic process in accordance with national constitutional requirements. This unequivocal and unconditional decision must be communicated in writing to the European Council.” Arguments of those advocating for a second referendum will be strengthened by the decision.

The decision was released one day ahead of the date for the House of Commons vote on the currently proposed Brexit deal, which was today [postponed](#) by UK Prime Minister Theresa May as it was widely expected the deal would not be approved by parliament.

Last week the UK [published updated information](#) concerning the customs and VAT scenarios that would apply in the event the UK crashes out of the EU with no deal.



## No Digital Tax Agreement at December ECOFIN

At its meeting on 5 December, the Council of the European Union sitting as ECOFIN (Economic and Financial Affairs Council) were again [unable to reach agreement](#) concerning the European Commission proposals for a Digital Services Tax in the EU.

The Presidency note concerning the proposed EU digital tax sets out that certain delegations were as a matter of principle unable to agree the text, irrespective of the technical revisions made by the Presidency, and that a number of other delegations had raised concerns as to specific provisions in the draft.

A Franco-German [proposal](#) was put forward and discussed at the ECOFIN, wherein it was suggested that the Commission and Council should amend the proposed tax such that it would be a 3% turnover tax to apply to digital advertisement services that would enter into force on 1st January 2021, if no international solution has been agreed upon by that date, and expire by 2025. In the instance an international solution has been agreed and

translated into EU law before the proposed implementation date, France and Germany propose that the directive could then be withdrawn by majority vote.

The current Austrian Presidency has recommended the Council continue its work on the issue on the basis of the latest proposed compromise text, incorporating appropriate aspects of the Franco-German proposal.



## EU Parliament's Legal Affairs Committee Approves Amendments to Company Law Package

The EU Parliament's Legal Affairs Committee has approved, by a vote of 21 to 2, a [draft report of amendments](#) to the European Commission proposal on cross-border conversions, mergers and divisions, part of the so-called [Company Law Package](#).

In April, the Commission published proposals on reforming and digitalising EU company law in order to make it easier for companies to reorganise - merge, divide or move within the EU Single Market. Further, the proposals seek to prevent tax avoidance practices that rely on artificial arrangements.

The proposal on cross-border conversions, mergers and divisions envisages common EU rules for cross-border conversions and divisions aiming to update existing ones to facilitate reorganisation, provided that the operations are genuine. The proposal includes provisions for safeguards against abuse of the conversion and division procedures to create artificial arrangements aimed at obtaining undue tax advantages. Further, the proposal sets out safeguards for employee rights including the establishment of artificial arrangements for tax avoidance purposes.

The Committee in the report introduces a requirement for genuine economic activity in the Member State where a company is being established, in line with the decision of *Cadbury Schweppes*. Rapporteur, Evelyn Regner (S&D, AT), noted that *"with these new rules for conversions and divisions, national authorities receive the option for a veto when identifying an artificial arrangement that constitutes a letter-box company used for social or tax fraud or any other abusive purposes."*

The Committee voted to begin inter-institutional negotiations with European ministers when Parliament as a whole has adopted a position on the proposed directive.



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