

CFE's Tax Top 5

KEY TAX NEWS OF THE WEEK

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OECD Inclusive Framework Renew Commitment to Finding Digital Tax Solution

On 31 January, the OECD Inclusive Framework published a [Statement](#) and held a [Tax Talks Webcast](#) concerning progress on its two-pillar approach to address the taxation challenges of the digital economy. In the statement, the Inclusive Framework reaffirms its commitment to reach a solution by the end of 2020, endorsing and agreeing the outline of the Unified Approach Under Pillar 1 to create new taxing rights for market jurisdictions as the basis for future negotiations, and acknowledging progress made to date in respect of Pillar 2.

The Inclusive Framework notes significant divergence of views within the group concerning binding dispute resolution, whether to weight quantum created by new taxing rights to account for different degrees of digitalisation in Member States and whether to allow for regional factors when calculating amounts under the new taxing rights.

As concerns the scope of the Proposals, the Statement sets out that new taxing rights created under the present Pillar 1 proposal are intended to apply to companies providing automated digital services, such as search engines, social media platforms, streaming services, online marketplaces, online gaming, cloud computer and online advertising, as well as to consumer facing businesses generating revenue from sales of goods and services, including third-party resellers, intermediate suppliers and businesses generating revenue from licensing rights.

The Framework in its statement refers to the US letter issued last December suggesting Pillar One could apply as a 'safe harbour regime', and notes that whilst many jurisdictions have expressed concerns that this would undermine the policy objectives of the process, a decision on whether or not Pillar One could operate as a safe harbour would only be made once the technical aspects of the proposal were agreed.

The Statement sets out a new Programme of Work, whereby the key policy features of the Pillar 1 proposal are to be agreed by the Steering Group in July 2020, following completion of various work topics in June 2020, and a final report to be issued by the end of 2020.



UK Enters Transitional Period with the EU

The United Kingdom's Withdrawal Agreement, which formalises the UK's exit from the EU, entered into force at midnight Central European Time on 31 January 2020. The UK is as such no longer a member state of the European Union, but EU law will continue to apply in the UK at least until the end of the transition period – 31 December 2020, and the Court of Justice will continue to have jurisdiction over any claim brought by or involving the UK until the end of the transition period.

The Court of Justice has issued a [press release](#) concerning the UK's withdrawal from the EU, as has the [European Parliament](#). Additionally, the EU Commission, Council and Parliament Presidents issued an [op-ed](#) concerning the withdrawal of the UK from the EU, as well as a [Q&A document](#) concerning the transition period arrangements. A comprehensive trade agreement will now be negotiated by the UK with the EU during the transition period.



Commission Issues Letters of Formal Notice on DAC6 & ATAD Implementation

The Commission has [issued letters of formal notice](#) to various Member States in relation to implementation of the DAC6 mandatory disclosure rules, as well as the ATAD Directives.

Belgium, Cyprus, Czech Republic, Estonia, France, Greece, Italy, Latvia, Luxembourg, Poland, Portugal, Romania, Spain, Sweden and the United Kingdom were issued letters of formal notice concerning implementation of DAC6. Germany, Greece, Latvia, Portugal, Romania, and Spain were issued with letters of formal notice concerning the implementation of ATAD1, whilst Cyprus, Germany, Greece, Latvia, Poland, Romania, and Spain were issued with letters concerning the implementation of ATAD2 with respect to hybrid mismatches with third countries. In addition, Belgium was issued with a letter of formal notice concerning implementation of the tax dispute resolution directive.

The countries must now respond to the letters. Should the Commission not be satisfied with the responses, it will then send a reasoned opinion requiring the Member State to comply with the EU law within two months.



North Macedonia Becomes Signatory to BEPS MLI Convention

On 29 January, North Macedonia became the 94th jurisdiction to be a signatory to the OECD's [Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting](#).

The multilateral tax treaty allows jurisdictions to update their existing double tax treaties and transpose measures agreed in the BEPS project without further need for bilateral negotiations. It now extends to over 1,650 bilateral tax treaties.



Reminder: Applications Open for the CFE *Albert J. Rädler* Medal Award

CFE Tax Advisers Europe, in cooperation with IBFD, reminds all tax students at Master's level, as well as their supervisors, that the CFE receives applications from eligible tax students for the *Albert J. Rädler* Medal Award until **20 February 2020**. The award is intended to encourage academic excellence among young tax students. The Medal will be awarded at the CFE Forum, our flagship international tax conference on 2 April in Brussels.

The CFE will take care of travel and accommodation arrangements for the successful candidate to attend the CFE Forum. In addition, there is a monetary prize courtesy of the Rädler family and complimentary academic literature from our publishing partner IBFD. Applications are welcome at info@taxadviserseurope.org. More details are available on the [CFE website](#).



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