

CFE's Tax Top 5

KEY TAX NEWS OF THE WEEK

BRUSSELS | 4 MAY 2020



OECD Update on International Work Progress

The OECD held a [Tax Talks Webcast](#) today concerning the recent and upcoming developments in the OECD's international tax work, not only in relation to the tax challenges presented by the COVID-19 crisis, but also as regards continuity on its programme of work.

Concerning progress on the work on taxation of the digital economy, a virtual meeting will be held by the Inclusive Framework in July to discuss progress made by the working groups. Pascal Saint-Amans stated that although one or two countries have requested the work of the OECD on the digital economy be delayed, the majority of other countries see an increased need to progress the work and reach a consensus in accordance with the original timeline, given further unilateral digital taxes being introduced.

It is expected that details of the key policy features will be agreed and made public in October, with the report on the final solution to be produced for the G20 by the end of the year. Good technical progress is reportedly being made in relation to both pillars, with the so-called "building blocks" being examined by the working groups presented during the discussion. However, notwithstanding the progress being made, Pascal Saint-Amans stated he does not exclude some staged process, with some aspects of the package being progressed further in 2021, given the shift in the timeline for agreement to be presented in October.

A digital public consultation will be held on 12 – 13 May concerning the 2020 review of BEPS Action 13 Country-by-Country reporting, to focus on improvements to the minimum standard for high level transfer pricing risk assessment, BEPS-related risks, economic analysis, as well as potential reporting introduced by the agreement on taxation of the digital economy.

As concerns the Automatic Exchange of Financial Account Information, it was confirmed in the webcast that the deadline for the CRS exchange had been extended to the end of December 2020, with jurisdictions encouraged to exchange earlier if possible. Additionally, the Peer Review process is ongoing, with further reports to be released in summer.

The webcast was recorded and can be replayed via the OECD's [Tax Talks Webcast page](#).

Commission Extends Investigation into the Netherlands' Tax Treatment of IKEA

The Commission has [announced](#) it will extend the scope of its State aid investigation into the tax treatment of Inter IKEA by the Netherlands, initially opened in December 2017. The investigation relates to two tax rulings in 2006 and 2011 issued by the Netherlands to IKEA's Dutch subsidiary, Inter IKEA, and whether the transfer price of the Intellectual Property rights was too high, allowing the Dutch subsidiary to pay less tax and therefore granting them an advantage over other companies.



The Commission has now extended the investigation to examine amortisation of the IP rights in more recent years by the Dutch subsidiary, and whether deduction of the amortisation by the Dutch subsidiary granted an advantage over other companies.

In addition, the Commission has announced it has opened an investigation to determine whether Belgian State aid provided to support production of a videogame is in line with State aid rules, and in particular a previously approved 2014 State aid measure introduced in Belgium to provide a tax advantage for film production, subject to it meeting certain territorial spending conditions. Further information will be made available on the Commission Competition [website](#) in due course.



EU Member States Raise Inequality Issues in COVID-19 State Aid Measures

Concerns are being [raised](#) surrounding the amounts of State aid relief being granted by EU Member States pursuant to the [Temporary State Aid Framework](#) approved by the European Commission in March to assist Member States in dealing with the economic impact of the COVID-19 outbreak.

Issues of unfair competition, inequality in economic recovery and risk to the Single Market are being raised by smaller EU Member States, in light of the amounts of State aid being granted by larger EU economies. To date, the relief granted by Germany accounts for over half of the amount of State aid approved by the EU in response to the COVID-19 outbreak. These concerns may impact on further relaxation of State aid rules, and negotiations for other EU-responses to the crisis.

An update to the EU Temporary Framework is anticipated this week.



European Commission Publishes Proposed Amendments to Union Customs Code

The European Commission has [published](#) a draft implementing regulation setting out proposed updates for rules on the Union Customs Code, required in order to adapt the rules for needs of industry, improve harmonisation of implementation of the Code across the EU, and to ensure security and customs controls are not compromised.

A public consultation inviting input concerning the draft implementing regulation will now run until 28 May 2020. Those wishing to submit input can do so via the [Have Your Say portal](#).



Indonesia Ratifies OECD MLI

Indonesia has deposited its instrument of ratification 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. There are now 94 jurisdictions covered by the Convention, with 45 countries having ratified, approved or accepted the MLI.



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