



BRUSSELS | 12 JANUARY 2021

Christmas Miracle: Brexit Deal Reached

Negotiations for a comprehensive post-Brexit free trade agreement between the EU and the UK came down to the wire last year, with a deal reached on Christmas Eve, narrowly avoiding the much feared 'cliff-edge' scenario at the end of the transition period on 1 January 2021. The fisheries industry and access to the single market remained stumbling blocks up to the end of the failed negotiations. A summary of the key changes in EU-UK relations can be found [here](#).

Most notably, the [EU-UK Trade & Co-Operation Agreement](#) provides for:

- *zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin;*
- *a commitment to a level playing field by maintaining high levels of protection in areas such as environmental protection, the fight against climate change and carbon pricing, social and labour rights, tax transparency and State aid, with effective, domestic enforcement, a binding dispute settlement mechanism and the possibility for both parties to take remedial measures.*
- *a new framework for the joint management of fish stocks in EU and UK waters. The UK will be able to further develop British fishing activities, while the activities and livelihoods of European fishing communities will be safeguarded, and natural resources preserved.*

- *continued and sustainable air, road, rail and maritime connectivity, though market access falls below what the Single Market offers. It includes provisions to ensure that competition between EU and UK operators takes place on a level playing field.*

The EU's DGTAXUD has published a detailed [Q&A document](#) addressing the impact of the UK's withdrawal from the single market on taxation and customs, as well as a [notice](#) concerning the UK no longer being covered by EU preferential trade agreements with third countries. Additionally, DG TRADE has produced [guidance](#) on customs procedures post-Brexit and its [Access2Markets](#) trade portal provides product-specific information on customs procedures and rules of origin. Earlier in the year, the Government of the United Kingdom announced [changes](#) in the VAT treatment of goods imported from overseas and sold to UK customers from 1 January 2021, and also published [guidance](#) on actions required by business to continue importing from the EU Member states after 1 January 2021.

Although a deal was not able to be reached in time to meet the [EU Parliament's deadline](#) to ensure implementation prior to the end of the transition period, EU member states approved the agreement on 29 December 2020, and the agreement will now apply provisionally until the EU Parliament's formal vote takes place. UK parliament approved the agreement on 31 December 2020. The European Parliament will vote on the agreement later this month.

OECD Pillar 1 & 2 Digital Consultation - 14 to 15 January

OECD will hold a [virtual public consultation](#) on 14 and 15 January 2021 concerning blueprints for [Pillar 1](#) (review of profit allocation and nexus rules to reflect digital business models) and [Pillar 2](#) (global anti-base erosion rules for a minimum effective taxation rate).

The OECD held a [webinar](#) on 20 October 2020 examining the economic analysis and impact assessment of the blueprints, and though the COVID-19 crisis could reduce the revenue expected to be collected under the economic analysis, the analysis shows that Pillar 1 and 2 measures could increase global corporate income tax by 50 – 80 million USD per year, with around 100 million USD expected to be reallocated to market jurisdictions, representing an increase in tax revenue for all economies, apart from those where “investment hubs” are located.

The current Pillar 2 blueprint would reduce profit shifting incentives, and generate revenue gains across all jurisdictions. In addition, the webinar highlighted that although the measures would involve increased compliance costs for MNEs, the cost would be far higher without a global solution, given the numerous unilateral digital tax measures being implemented across the globe.

The consultation will be [live streamed](#) via the OECD website.

Commission Publishes Guidance on Coronavirus Support Measures

The European Commission has published [guidance](#) for Member States concerning the implementation of coronavirus support and recovery measures introduced under EU State aid rules.

The Commission is also conducting a survey with Member States concerning the implementation of the Temporary Framework, as well as a consultation with the Member States on extending the General Block Exemption Regulation.

EU-China Trade Agreement

On 30 December, the EU and China reached an [in-principle comprehensive agreement on investment](#). Under the agreement, European countries will have increased access to the Chinese market, allowing them to establish companies in key sectors, including manufacture. The agreement also includes commitments to fair competition through standard setting, transparency, sustainable development and dispute settlement.

European Commission President Ursula von der Leyen said of the in-principle agreement: *"Today's agreement is an important landmark in our relationship with China and for our values-based trade agenda. It will provide unprecedented access to the Chinese market for European investors, enabling our businesses to grow and create jobs. It will also commit China to ambitious principles on sustainability, transparency and non-discrimination. The agreement will rebalance our economic relationship with China"*.

Further information is available [here](#).

In Memoriam of Dr Tom O'Shea

It is with deep sadness that the CFE Executive Board and the CFE Office Team join together to mourn the untimely passing of Dr Tom O'Shea on 17 December 2020.

Dr Tom O'Shea was a Senior Lecturer in EU and International Tax Law at Queen Mary University of London and co-director of the MA in Taxation at the IALS, University of London. As a Fellow of the Chartered Institute of Taxation (CIOT) Dr O'Shea acted as examiner for the CIOT and has helped design and implement their Advanced Diploma in International Taxation (ADIT). He has also been an examiner for the Securities and Investment Institute and has acted as an independent consultant for the Lexis-Nexis EU Tracker Project.

Dr O'Shea was a frequent contributor to CFE publications and events, including the CFE Forum, and most recently to the Liber Amicorum, CFE's 60th Anniversary Book. He was the Editor of EC Tax Journal and

contributor to Tax Notes International and other international tax journals.

Dr O'Shea's brilliant teaching, his unique personality, and above all his passion and enthusiasm for education will be deeply missed. Tom was particularly loved by his students at Queen Mary University of London and the Institute of Advanced Legal Studies, whom he supported unreservedly and selflessly. Dr Tom O'Shea will be sadly missed by many.

The selection of the remitted material has been prepared by:
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