BRUSSELS | JUNE 2025

Global Minimum Tax Uncertainty Following G7 Agreement for US Multinationals

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The G7 has issued a Statement that could significantly reshape the global minimum tax framework developed under the OECD/G20 Inclusive Framework. The statement sets out that recent discussions of the G7 have centred on analysing both the current U.S. tax regime and proposed legislative changes, including those contained in the Senate's amendment to H.R.1, the One Big Beautiful Bill Act (OBBBA).

Following these discussions, G7 members have announced they have now reached a shared understanding that US-parented multinationals will be exempt from the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR) in recognition of existing US minimum tax rules in respect of both domestic and foreign profits. Importantly, it also entails a commitment to address any substantial risks to the level playing field or risks of BEPS that may arise under such a system.

The US Treasury Secretary stated this exemption could save US companies $100 billion in foreign tax payments over the next decade, while the G7 framed it as a means to stabilise the international tax system and preserve countries' tax sovereignty.

The implementation of a side-by-side system would be pursued alongside material simplifications to the Pillar 2 administration and compliance framework. Discussions will also consider changes to the treatment of substance-based non-refundable tax credits to ensure greater alignment with refundable tax credits. This dual-track approach aims to deliver stability and facilitate constructive dialogue on broader issues such as digital taxation.

The G7 in the Statement recognises the relevance of these developments to a wider group of jurisdictions and states it intends to progress this understanding within the Inclusive Framework to achieve an acceptable and implementable solution.

Notably, the removal of section 899 from U.S. legislation is seen as crucial to maintaining a stable environment for these ongoing negotiations.

Critics argue the agreement undermines the landmark 2021 global minimum tax accord. The Tax Justice Network described it as a "hasty cave-in" that risks rendering the minimum tax ineffective if US multinationals are largely exempted. Nobel laureate Joseph Stiglitz similarly criticised the accord as prioritising multinational interests over citizens and small businesses. Meanwhile, the OECD has stressed that the G7 statement is non-binding, noting any change will require agreement from all 147 Inclusive Framework members.

The European Parliament's FISC Committee last week submitted questions to the European Commission regarding the taxation of large digital platforms, emphasising that global challenges require global solutions. The Commission has also been asked whether it intends to reassess its 2018 proposals on digital taxation, their geopolitical and economic implications, and how it plans to avoid fragmentation among EU Member States.

In the coming weeks, attention will focus on whether the OECD can deliver a stable, inclusive outcome amid competing national interests and growing legislative pressures in both the EU and US.

OECD Report on Global Progress in the Digital Transformation of Tax Administration

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The OECD this month published a report entitled *"Tax Administration Digitalisation and Digital Transformation Initiatives"*, examining how tax administrations are advancing digital reform. The report sets out that from the 54 jurisdictions reviewed, most now rely on digital identity systems to deliver secure online services and support machine-to-machine data exchanges. The widespread use of application programming interfaces, often made publicly available, enables tax processes to be integrated into third-party and taxpayer systems, streamlining compliance and reducing administrative burdens.

A growing number of administrations receive data directly from taxpayer systems and third parties, supporting the pre-filling of returns—particularly for personal income tax, and increasingly for VAT and corporate tax. The report also demonstrates that artificial intelligence is being used by over 70% of administrations, primarily to detect tax fraud, assess risk, and power virtual assistants. Many have also implemented safeguards and ethical frameworks to manage AI use responsibly.

Internally, digital transformation is prompting a shift in organisational culture, with tax administrations investing in new skills and digital strategies. Nearly 80% of administrations now have a formal transformation strategy, often aligned with broader government digital agendas. While progress varies, the report highlights a common direction: towards integrated, data-driven and taxpayer-centric tax systems.

EU Updates List of High-Risk Third Countries for AML Compliance

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This month, the European Commission revised its list of high-risk third-country jurisdictions with deficiencies in their anti-money laundering and countering the financing of terrorism (AML/CFT) frameworks. The update, published on 10 June 2025, requires EU-based entities subject to AML obligations to apply enhanced due diligence when dealing with listed jurisdictions. The measure aims to safeguard the integrity and resilience of the EU financial system against illicit financial flows.

Ten new jurisdictions have been added to the high-risk list: Algeria, Angola, Côte d'Ivoire, Kenya, Laos, Lebanon, Monaco, Namibia, Nepal, and Venezuela. At the same time, eight jurisdictions have been removed, including Barbados, Gibraltar, Jamaica, Panama, the Philippines, Senegal, Uganda, and the United Arab Emirates. The update closely aligns with the Financial Action Task Force's (FATF) list of jurisdictions under increased monitoring, reflecting the EU's ongoing commitment to international standards and collaboration on financial crime prevention.

The revised list follows a thorough technical review by the Commission, taking into account inputs from FATF, bilateral dialogues, and in-country assessments. This process also addressed concerns raised regarding previous proposals, ensuring that the methodology applied is transparent and evidence-based.

CFE Members Join Global Accountants in Rome for Jubilee Audience with Pope Leo XVI

On 11 June 2025, the *Jubilee of Accountants* was held in Vatican City, hosted by the Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili(CNDCEC) in collaboration with the Vatican Secretariat. This unique gathering formed part of the Holy Jubilee Year celebrations and brought together accounting professionals from across the globe for a spiritual occasion centred around a solemn Papal Audience in St Peter's Square.

The event honoured the role of accountants and financial experts in society and was attended by representatives of CFE Tax Advisers Europe, including CFE President, Piergiorgio Valente. It followed the annual conference of the CNDCEC, where participants discussed pressing issues such as national tax reforms, economic resilience, professional ethics, and the impact of emerging technologies like artificial intelligence on the profession.

Pope Leo XVI delivered a message acknowledging the value accountants contribute to economic growth and societal wellbeing, urging practitioners to uphold integrity and responsibility. In response, CNDCEC President Elbano de Nuccio expressed gratitude for the Pope's blessing and reinforced the profession's collective commitment to ethical and socially responsible practice.

OECD Publishes New BEPS Action 14 MAP Peer Review Reports

In June, the OECD released 36 new peer review reports under BEPS Action 14, which focuses on improving the effectiveness of Mutual Agreement Procedures (MAP) for resolving treaty-related tax disputes. The reviews cover jurisdictions participating in the Inclusive Framework on BEPS, all of which have committed to implementing the Action 14 minimum standard. This standard is designed to enhance the resolution of cross-border tax disputes through more effective and timely MAP processes.

Six jurisdictions – Belgium, Canada, Croatia, Estonia, Liechtenstein, and the United Kingdom – underwent the full peer review in this cycle, with the OECD noting their continued adherence to the minimum standard. Notably, these countries have signed and ratified the Multilateral Instrument, issued MAP guidance and profiles, and improved the efficiency of their competent authorities in resolving MAP cases within or closer to the targeted 24-month timeframe. The updated Assessment Methodology for Action 14 includes both a full peer review process and a simplified process. Jurisdictions with 'meaningful MAP experience' undergo the full review, while those without such experience follow the simplified route to help establish robust MAP programmes in anticipation of future cases.

A further 30 jurisdictions, including Andorra, Armenia, Azerbaijan, Bahamas, Bermuda, and several others, were reviewed under the simplified process. The results showed that most are actively establishing or have committed to establishing policy frameworks and operational MAP programmes to ensure the timely and effective resolution of disputes. Many have updated their treaties via the Multilateral Instrument or bilateral negotiations, issued MAP guidance, and strengthened their competent authorities in line with the Action 14 minimum standard.

EU Council Progresses Customs Framework Reform

The Council of the European Union agreed a partial negotiating mandate on a fundamental reform of the EU customs framework in June. The reform aims to modernise the customs system to address rising trade volumes, particularly in e-commerce, an increasing number of standards requiring border checks, and evolving geopolitical challenges. It is expected to enhance the EU's ability to block non-compliant or unsafe goods, improve the efficiency of customs duty collection, and strengthen border controls without imposing excessive burdens on traders or customs authorities.

A key element of the reform is the establishment of a decentralised EU Customs Authority. This agency will coordinate EU-level risk management by supporting national customs authorities and managing a new EU customs data hub. The data hub will serve as a single online platform where businesses can submit customs information just once, with the option to reuse data for multiple consignments. This centralised system is designed to improve data integrity and enable authorities to respond more quickly and effectively to emerging risks.

The proposal also introduces enhanced simplifications for trusted traders through a new 'trust and check traders' category. Businesses meeting strict transparency and compliance criteria will benefit from streamlined customs obligations, and in some cases, be able to release goods into circulation without active intervention. Existing Authorised Economic Operator (AEO) arrangements will be retained to continue supporting thousands of SMEs in meeting their customs responsibilities under simplified processes.

Finally, the Council's mandate amends the Commission's proposal to clarify certain customs procedures and introduces a new handling fee for small consignments entering the EU via distance selling. Negotiations with the European Parliament on the core aspects of the reform will now commence, while discussions on specific elements, including the seat of the EU Customs Authority, simplified tariff structures, and the design of the handling fee, will follow in due course. The reform forms part of efforts to ensure the EU customs framework remains effective, secure, and fit for purpose in a changing global trade environment.

OECD Updates Exchange of Information Documents

In June, the OECD published three documents concerning the automatic exchange of information in tax matters. These publications include a consolidated version of the Common Reporting Standard (CRS) incorporating the 2022 amendments, and updated user guides for tax administrations for the CRS and Crypto-Asset Reporting Framework (CARF) Status Message XML Schemas. These updates reflect the evolving landscape of tax transparency and the inclusion of crypto-assets and digital money products within international information exchange frameworks.

The *Consolidated Text of the Common Reporting Standard (2025)* brings together the original 2014 standard and the amendments adopted in August 2022. The revised text expands the scope of the CRS to cover specific electronic money products and central bank digital currencies. It also clarifies the treatment of indirect investments in crypto-assets and strengthens due diligence and reporting obligations. Notably, a carve-out has been introduced for genuine non-profit organisations, and additional definitions and provisions relating to financial accounts and excluded accounts have been updated to align with recent financial developments.

The *CRS Status Message XML Schema: User Guide for Tax Administrations(Version 3.0)* provides tax administrations with practical guidance on the use of the revised XML Schema format, which supports the transmission of CRS-related information. The new version, applicable for exchanges from 1 January 2027, includes structured methods for competent authorities to notify each other of file-level or record-level errors in CRS data submissions. While reporting of file errors is mandatory to ensure operational integrity of the exchange system, the reporting of record-level errors remains optional but is recommended as a best effort practice.

The *Crypto-Asset Reporting Framework (CARF) Status Message XML Schema: User Guide for Tax Administrations* sets out how authorities should use the CARF XML Schema to identify and communicate errors found in information transmitted under the CARF. This includes file errors that prevent the use of transmitted data and record errors that may affect data quality but not usability. The schema can also be used for domestic communications with reporting crypto-asset service providers. First exchanges under the CARF are scheduled for September 2027, and the framework is designed to ensure transparency and cooperation in crypto-asset reporting between jurisdictions.

Future-Proofing EU Tax Policy: Insights from the EU Commission 2025 Annual Taxation Report

The European Commission's Annual Report on Taxation 2025 was published last week, providing a detailed analysis of recent developments in taxation across EU Member States. The report highlights the economic context of modest EU economic growth forecasts of 1.1% in 2025 and 1.5% in 2026 amid persistent fiscal challenges and an ageing population. It underscores how ageing will place increasing demands on pension expenditure, potentially constraining public finances for other priorities such as competitiveness, defence, and housing, particularly in countries like Spain, Portugal, and Italy.

The report sets out that the EU's tax-to-GDP ratio fell to 39% in 2023, its lowest since 2011, mainly due to lower revenues from environmental and property taxes alongside strong nominal GDP growth. Labour taxes continue to represent over half of tax revenues across the EU, with capital taxes gaining a slightly larger share in recent years. Recent tax policy initiatives at EU level include the adoption of the Faster and Safer Tax Relief of Excess Withholding Taxes Directive and the VAT in the Digital Age package, alongside proposals such as BEFIT and the Head Office Tax System to simplify corporate taxation.

A significant focus is placed on tax gaps, with the EU-wide VAT compliance gap estimated at EUR 89 billion in 2022. The report highlights how compliance gaps in personal and corporate income taxes remain underexplored, while aggressive tax planning and profit shifting by multinational enterprises result in substantial revenue losses. To address this, Member States are encouraged to strengthen tax administration capacities, leverage digitalisation, and improve data sharing under frameworks like Eurofisc and the Fiscalis programme.

Finally, the report examines the progressivity of EU tax systems and the challenges of fairly taxing high net-worth individuals. While most EU Member States operate progressive income tax systems, wealth remains highly concentrated, with limited use of net wealth taxes following their abolition in most countries. The Commission stresses the need for future-proof tax mixes that support growth and fairness while ensuring fiscal sustainability in light of demographic and geopolitical pressures.

Strengthening Tax Crime Enforcement: OECD Publishes Practical Manual Guidance

The OECD has published new guidance in June entitled *"Designing a Tax Crime Investigation Manual: Key Elements and Considerations"*, aimed at supporting jurisdictions in developing or updating domestic manuals to investigate tax crime. The manual outlines the foundational elements for building structured, legally sound and operationally effective procedures to support enforcement authorities throughout the tax crime investigation lifecycle.

The OECD encourages jurisdictions to adopt a whole-of-government approach, integrating tax crime enforcement with broader financial crime strategies. The manual also recommends the adoption of digital formats to ensure operational manuals are up-to-date, searchable and accessible in both office and field settings. Examples from various countries, including the UK, Belgium, Czechia, Kenya and Australia, are included to illustrate a range of legal and organisational models currently in use.

The report draws on a comprehensive review of global practices and highlights the growing need for co-ordinated responses to tax crime, which continues to affect revenue collection, public trust and financial stability. It sets out practical steps for law enforcement and tax authorities to consider when developing manuals, including case selection, evidence gathering, inter-agency co-operation, and asset recovery. This publication builds on the OECD's Ten Global Principles for Fighting Tax Crime and forms part of ongoing efforts to improve international co-operation and capacity-building in this area.

EU Adopts New State Aid Framework to Drive Clean Industry Transition

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In June, the European Commission adopted a new State aid framework to support the Clean Industrial Deal, known as the Clean Industrial Deal State Aid Framework (CISAF). This framework enables EU Member States to advance clean energy development, industrial decarbonisation, and clean technology deployment. It replaces the Temporary Crisis and Transition Framework (TCTF) and will remain in place until 31 December 2030, providing long-term certainty for both governments and businesses.

The framework simplifies State aid rules in five key areas: rolling out renewable energy and low-carbon fuels, offering temporary electricity price relief for energy-intensive users, decarbonising existing production facilities, developing clean tech manufacturing capacity, and de-risking investments in clean energy and the circular economy. It introduces fast-track procedures to facilitate renewable energy schemes and low-carbon fuels such as hydrogen, alongside flexibility measures and capacity mechanisms to integrate intermittent renewable sources into the energy supply.

The framework also allows Member States to reduce electricity costs for energy-intensive users exposed to international trade pressures, in return for their commitment to decarbonisation investments. Further, it offers flexible support for a wide range of decarbonisation technologies including electrification, hydrogen, biomass, and carbon capture. Aid can be granted based on predefined amounts, funding gaps, or competitive bidding processes, with higher aid intensities permitted for less advantaged regions to support cohesion.

Additionally, the framework permits Member States to stimulate demand for clean technology products through tax incentives, enabling accelerated deductions of clean technology investments from taxable income. It also facilitates measures to de-risk private investments in eligible projects, including energy infrastructure and circular economy initiatives, through instruments such as equity, loans, and guarantees. This framework sits alongside other EU State aid rules, including the Climate, Environmental protection and Energy Aid Guidelines, and continues to ensure that public support does not distort competition within the internal market.

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