



**BRUSSELS | SEPTEMBER 2022**

## **CFE President Addresses EU Finance Ministers at Informal ECOFIN Meeting in Prague**

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The President of CFE Tax Advisers Europe, Mr Piergiorgio Valente, and CFE's Director of Tax Policy, Mr Aleksandar Ivanovski, attended an informal meeting of the ECOFIN Council in Prague, 10 September 2022, after being invited to address the Council of the European Union on potential ways to streamline EU direct tax law by way of reliance on soft law.

CFE's President expressed CFE's view that the prevailing geopolitical situation merits use of all relevant policy instruments to defend the European Union, to protect European citizens from the adverse effects of the war, and to preserve the social contract by mitigating the effects of the cost of living and energy crisis. CFE stressed that tax systems will play a key role in repairing strained public finance conditions and that initiatives aiming to promote IT solutions in tax administration, compliance and simplification, particularly to be applied to initiatives which rely on cooperation and agreements between Member states, would be welcomed by tax advisers.

Similarly, Mr Valente set out CFE's view that more coherent and consistent tax rules throughout the EU would contribute to a more competitive tax system and make the EU Single Market a more dynamic and business-friendly environment, and that, as such, coordinated measures among EU Member states' rules would prevent mismatches among national legislations, taking the interest of the Single Market as whole. The meeting was also attended by the President of the

European Central Bank (ECB), Christine Lagarde, the European Commission Vice President Valdis Dombrovskis, Commissioner Paolo Gentiloni and other high-level representatives of the EU and Member states. Further details of [CFE's address to the informal ECOFIN meeting](#), and a selection of [photos](#) are available on CFE's website.

## **State of the Union: EU Commission Plans to Introduce Windfall Tax on Energy Companies**

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On 14 September, EU Commission President von der Leyen delivered her [State of the Union](#) address. During her speech, she set out a range of measures being planned by the EU Commission to address soaring energy prices currently impacting the cost of living in Europe, including:

- A cap on the revenues of companies that produce electricity at a low cost;
- Measures for Member States to reduce their overall electricity consumption;
- A set of measures to be developed with Member States that take into account the specific nature of their relationships with suppliers of fossil fuels;
- Setting a more representative benchmark in the gas industry and decoupling the dominant influence of gas on the price of electricity.

The Commission estimates that the proposal to establish a cap/maximum price on revenues of companies producing non-gas electricity at a low cost will generate over 140 billion Euros for Member States to disperse to their citizens. Concerning the benchmark price of gas, President von der Leyen stated that the Commission will *"work with market regulators to ease these problems by amending the rules on collateral - and by taking measures to limit intra-day price volatility"*.

More details concerning the measures are expected in the coming weeks.

## Pascal Saint-Amans to Step Down as Director of the OECD Centre for Tax Policy and Administration

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Director of the OECD's Centre for Tax Policy and Administration, Mr Pascal Saint-Amans, has [announced](#) that he is stepping down from his role and leaving the OECD as of 1 November 2022. Under Mr Saint-Amans' chairmanship of the OECD CTPA, the historic agreement on the [Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy](#) was reached, agreeing on a 15% minimum tax for MNE corporations and revising profit allocation in the global tax system, just one of many other key achievements of the Centre for Tax Policy during his time as Director.

Ms Grace Perez-Navarro will act as Director from 1 November 2022 until 31 March 2023, presumably whilst the process of appointing a new Director is carried out, and David Bradbury and Achim Pross will serve as Acting Deputy Directors during that period.

## EU Pillar II Implementation: Certain Member States to Proceed Unilaterally

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From discussion at the informal ECOFIN meeting which took place on 10 and 11 September, it appears that agreement will be unable to be reached on the EU directive implementing Pillar 2. The Directive is at present being blocked by Hungary, following on from months-long opposition from Poland under the French EU presidency. An agreement which would be binding on all other Member states, but exclude Hungary, has been recently been discussed and is an option being considered.

Prior to the informal ECOFIN, France, Germany, Italy, The Netherlands and Spain issued a [joint statement](#) setting out their position that they reaffirm their commitment to swiftly implement the global minimum effective corporation taxation in their jurisdictions in order for the tax to be effective as of 2023, should

agreement not be reached at Council in the coming weeks, and to complete work on the reallocation of taxing rights on MNE profits.

## **EU Commission to Launch BEFIT Consultation & Proposal**

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During her State of the Union Address on 14 September, EU Commission President von der Leyen confirmed that the Commission plans to proceed with a proposal for a single set of tax rules for doing business in Europe as part of a SME relief package.

The Commission's [consultation webpage](#) sets out that the *"Business in Europe: Framework for Income Taxation (BEFIT) will propose a comprehensive solution for business taxation in the EU. This initiative aims to introduce a common set of rules for EU companies to calculate their taxable base while ensuring a more effective allocation of profits between EU countries, based on a formula. It will also aim to reduce compliance costs and create a coherent approach to corporate taxation in the EU."*

The [Have Your Say](#) website indicates that a public consultation concerning the BEFIT proposal will be carried out in Q3 2022, and that a proposal will be adopted by the Commission in Q3 2023.

## **Rentree Refresher: EU Tax Policy Report: Semester I 2022**

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CFE Tax Advisers Europe has now published its [EU Tax Policy Report](#) covering the first semester of 2022. The EU Tax Policy Report is a bi-annual publication which provides a detailed analysis of significant primary law and tax policy developments at both EU and international level that have occurred in the previous six months which would be of interest to European tax advisers. It also includes an overview of selected CJEU case-law and relevant European Commission decisions.

We invite you to read the EU Tax Policy Report, and remain available for any questions or comments that you may have.

## OECD: Tax Morale II - Building Trust Between Tax Administrations & Large Businesses

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The OECD has published a second report in its focus on the tax morale topic, entitled "[Tax Morale II: Building Building Trust between Tax Administrations and Large Businesses](#)". The report examines levels of trust between tax administrations and large businesses, based on a survey carried out on tax administration perceptions of MNEs and previous research on MNE perceptions of tax administrations. The OECD in its summary concerning the report says:

*"The survey shows that while MNEs are generally seen to demonstrate a formal commitment to co-operation with tax administrations, notably through on-time payment, perceptions of MNE transparency and trust in the information provided by them are less positive. There are strong regional differences, with tax administrations' perceptions of MNE behaviour generally poorer in Latin America and the Caribbean, and to a lesser extent Africa, when compared with Asia and OECD countries.*

*The survey also reflects tax administrations' perceptions of the behaviour of the Big Four professional services networks (Deloitte, EY, KPMG, PricewaterhouseCoopers) on tax matters. It shows similar patterns of positive perceptions of their willingness to follow the letter of the law and formal compliance, but less positive perceptions of following the spirit of tax laws."*

The report can be accessed [here](#).

## Czech Chamber of Tax Advisers & IFA Address Professional Ethics in Tax Advice

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On 16 September, the Chamber of Tax Advisors of the Czech Republic (KDPČR) and the Czech Republic International Fiscal Association hosted a conference in

Brno, on the topic of the *"Use of technology in tax administration and the importance of professional ethics in taxes"*.

Aleksandar Ivanovski, Director of Tax Policy at CFE spoke during the conference on the importance of professional ethics in tax advice, presenting CFE's [Discussion Paper on Professional Judgment in Tax Planning](#), discussing the role of tax advisers, their legal and ethical obligations, reputation and the status of the tax profession. The panel also discussed the meaning, role and place of the ethical standard/code/level in terms of the tax adviser profession and insight into similar professions, and to what extent one can find general global answers concerning level of professional standard and to what extent it depends on the common practice, context, expectations and usual patterns of behaviour in a particular country.

## **Forum on Tax Administration Publishes Tax Capacity Building Guide**

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The OECD's Forum on Tax Administration has now published a guide developed to "assist tax administrations globally in designing and carrying out their tax capacity building programmes", the [Tax Capacity Building: A Practical Guide to Developing and Advancing Tax Capacity Building Programmes](#). The Forum on Tax Administration is comprised of tax administration officials from over 50 OECD and non-OECD countries.

United Kingdom's HMRC Deputy CEO and Second Permanent Secretary, Angela MacDonald, said of the Guide, *"Building tax capacity and capability is a central component of many OECD member countries' development programmes. This guide by the FTA's Capacity Building Network is aimed at supporting tax administrations at any stage of their capacity building programme, and with differing resource levels."*

The Tax Capacity Building Guide can be accessed [here](#)..

## OECD: Action 14 Tax Dispute Resolution Stage 2 Peer Reviews Published

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In the framework of the work undertaken through BEPS Action 14 and the improvement of tax dispute resolution mechanisms, the OECD has now [published](#) Stage 2 peer review reports for 13 jurisdictions, assessing the efforts by countries to implement the Action 14 minimum standard as agreed to under the OECD/G20 BEPS Project and the recommendations for the jurisdictions in the Stage 1 peer review reports.

The published reports concern the jurisdictions of Aruba, Bahrain, Barbados, Gibraltar, Greenland, Kazakhstan, Oman, Qatar, Saint Kitts and Nevis, Thailand, Trinidad and Tobago, United Arab Emirates and Vietnam. BEPS Action 14 seeks to improve the tax-dispute resolution mechanisms via the Inclusive Framework peer-review process, which looks into the compliance with the minimum standard reviewed and monitored by peer countries.

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