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Tax Administrations Accelerate Digital Transformation

The OECD's Forum on Tax Administration issued the [Tax Administration 2021](#) report in September, which compares data on particular aspects of tax administration and tax systems across 59 economies, compiled in the 2020 International Survey on Revenue Administration. The report examines the data to highlight key trends, innovations and best practice, in order to facilitate information sharing and dialogue between tax revenues on improving tax systems.

The report highlights that in response to the coronavirus crisis, tax administrations had significantly improved their digital transformation processes, and invested resources in digital solutions for tax compliance. The report shows that 9 out of 10 business and over 80% of individuals now filed electronic returns, and that around 75% of administrations have invested in AI and machine learning in tax administration processes.

The Chair of the Forum on Tax Administration, Bob Hamilton said of the report, *“Tax administrations’s efforts to move more of their processes online has not only enhanced service delivery, reduced burdens and improved compliance, but it has also made us more resilient. Leading a tax administration myself, it became immediately clear that digital service delivery would be of significant help in our response to the COVID-19 pandemic. Our digital readiness allowed us to quickly take on new roles to assist in the provision of wider government support*

and ensured that we could continue to deliver effective services to taxpayers during times of social distancing and remote working.”

State of the Union: EU Prioritises Global Tax Deal & Fair Taxation

In the 2021 State of the Union Address delivered this month, EU Commission President von der Leyen highlighted the most important current key tax priorities for the European Union. In particular, Von der Leyen noted that fair taxation was key in achieving priorities that the Commission had set for social fairness. She noted that *"In our social market economy, it is good for companies to make profits. And they make profits thanks to the quality of our infrastructure, social security and education systems. So the very least we can expect is that they pay their fair share. This is why we will continue to crack down on tax avoidance and evasion. We will put forward a new initiative to address those hiding profits behind shell entities"*. CFE recently published a [statement](#) responding to the recent consultation on the forthcoming initiative on shell entities.

On the issue of global tax reform, and the ongoing OECD negotiations on the historic two-pillar agreement on international corporate taxation, the EU President stated that *"Asking big companies to pay the right amount of tax is not only a question of public finances, but above all a question of basic fairness. And we will do everything in our power to seal the historic global deal on minimum taxation."* A [press release](#) issued following the most recent ECOFIN in Slovenia confirmed the Council was working to get all EU Member States on board with the deal.

Increasing Pressure Put on Countries to Reach Global Tax Deal

Over the past weeks, holdout countries have been put under increasing pressure concerning the ongoing OECD negotiations on the historic two-pillar agreement on international corporate taxation, and removal of unilateral digital taxes.

To that end, US Treasury Janet L. Yellen published a statement following a discussion with French Finance Minister, Bruno Le Maire, setting out that Secretary Yellen *"stressed the importance of reaching a compromise on the withdrawal of digital services taxes...she...also discussed with Finance Minister Le Maire the need for continued cooperation between the U.S., France, and other G20 members to enhance support for low-income countries to mitigate further divergence in the global economic recovery. "* This follows on from visits last week by French President Macron and EU Commissioner for the Economy, Paolo Gentiloni to visit Ireland to discuss the OECD negotiations with Irish Minister for Finance, Paschal Donohoe. Following the meetings, Mr Donohoe stated in a parliamentary hearing that Ireland had not definitely decided against the deal.

A [press release](#) issued following the most recent ECOFIN confirmed the Council was working to get all EU Member States on board with the deal. Presently, Ireland, Hungary and Estonia are the holdout jurisdictions from the EU on the deal. Recently, the G24 countries [published](#) comments submitted to the OECD on the two-pillar deal, stating that the *"G-24 favours a high minimum effective tax rate under the GloBE rules as well as a high minimum rate on gross revenue under the STTR, allowing jurisdictions to tax back a higher portion of income that has not paid its fair share of taxes elsewhere (in particular, in low tax jurisdictions)"*.

Further detail on the OECD agreement is expected in October.

[Save the Date: CFE Professional Affairs Virtual Conference - 25 November 2021](#)

Save the date for the 14th European Conference on Tax Advisers' Professional Affairs, to be held virtually on Thursday, 25 November 2021 from 10:00AM to 12:00PM CET, on the topic of *"Professional Judgment in Tax Planning - An*

Ethics Quality Bar for All Tax Advisers". Speakers from a wide range of stakeholder perspectives will examine issues raised in the [discussion paper](#) published by CFE seeking to promote ethical professional judgment across all tax advisers in Europe, through the proposed "ethics quality bar" contained in the paper, based on five questions that all tax advisers should reflect on when undertaking their advisory role in the overall tax system. Panellists will consider whether the quality bar can help to steer all advisers in the direction of an appropriate balance between the rights and obligations of taxpayers, avoiding abusive planning.

Registration for the event is possible via this [link](#). More details about the programme, line-up of speakers and registration will be available in due course.

FISC Subcommittee Tax Priorities

To celebrate the one year anniversary of the creation of the EU Parliament's Permanent Subcommittee on Tax Matters ("FISC"), the coordinators of the political groups in the committee have created a video setting out their views on the tax challenges and priorities for FISC, noting that *"the fight against tax fraud, tax evasion and tax avoidance remains high on the agenda in the light of recent tax scandals"*.

The video can be viewed [here](#).

OECD Paper on Cross-Border Withholding Tax Relief Procedures

The OECD has issued a [paper](#) containing best practice recommendations on coordinating administrative withholding tax procedures, noting the strain that has been placed on tax administrations and taxpayers in the wake of the COVID-19 outbreak to comply with normal administrative procedures. The paper contains

an overview of the various cross-border withholding tax relief procedures and the features which create challenges for compliance.

The best practice recommendations include that grace periods be granted for tax residence certificates, that electronic documentation be accepted, that reliance be placed on account information which may be available from financial institutions and that any apostilisation requirements for documents be temporarily suspended.

Blockchain Policy Forum

In a series of events taking place virtually, the OECD is hosting the 4th edition of its [Global Blockchain Policy Forum](#). A number of virtual sessions will take place concerning relevant developments and emerging issues in the Blockchain sphere, such as global regulatory rules and cooperation between countries, virtual assets and financial crime, sustainable business conduct in public blockchains, AI in finance and the latest trends in asset tokenisation in policy making.

Registration for the sessions is possible via this [link](#). The sessions will be streamed online, and will be available for replay for those who register for the events.

Member States Challenge Legal Basis for Public CbCR

In [statements](#) issued at the EU Council's first reading of the draft [public CbCR directive](#), several Member states have rejected the legal basis of the legislative proposal, namely Croatia, Cyprus, the Czech Republic, Hungary, Ireland, Luxembourg, Malta and Sweden. The countries all set out in the statements that they are of the view that given "*both the aim and the content of the proposal relate to 'fiscal provisions'*", that the proposal for the directive should be based on Article 115 TFEU, not Article 50(1). Croatia also specifically stated that it "*is of the opinion that the agreed Proposal should not become precedent for a*

qualified majority voting in the future decision-making process in regard to tax matters."

Although the directive concerns disclosure of information, specifically income tax related information, it remains to be seen what will come of the challenge by the Member states, given the directive cannot qualify as a tax directive given the intended purpose is transparency not taxation.

CFE Statement on the Use of Shell Entities for Tax Avoidance Purposes

CFE Tax Advisers Europe has published an [Opinion Statement](#) on the European Commission public consultation on fighting the use of shell entities for tax avoidance purposes. From the CFE's perspective, the challenges to successfully designing balanced measures addressing abuse of shell entities at EU level are three-fold:

1. How to meaningfully scope shell entities and provide definitions that are sufficiently clear to exclude entities engaged in legitimate holding, estate planning, financial, insurance/reinsurance and/or commercial activities, even if they do not need staff and equipment to achieve such purposes;
2. How to choose a policy solution that is fit for purpose in the context of the existing measures aimed at targeting solely abusive/illicit use of shell entities;
3. How to avoid complex legislation which includes hallmarks, such as those used in DAC 6, instead of clear legal definitions. Discussions that the CFE has had with relevant stakeholders, suggest that many taxpayers, their advisers and tax administrations are still struggling to understand the scope of those hallmarks.

CFE's view is that new anti-avoidance initiatives are not necessary at present, given that there are plethora of existing rules and practices enshrined in EU law which would be suitable to address the concerns outlined in the EU initiative to

tackle abusive use of shell entities for tax avoidance purposes. Prior to any potential EU action, the Commission, in cooperation with Member states should assess Member States' practices and legislation (where existing) to address use of shell entities for tax avoidance and evasion purposes.

We invite you to read our [statement](#), and remain available for any queries you may have.

Togo Joins Inclusive Framework on BEPS

Togo has become the newest jurisdiction to become a member of the OECD/G20 Inclusive Framework on BEPS, now the 140th country to join the Framework. The OECD's Inclusive Framework of minimum standards was devised by the OECD and G20 countries as part of the 2015 Base Erosion Profit Shifting Plan (BEPS). Joining the OECD Inclusive Framework also indicates compliance with conditions set by the European Commission concerning the EU's list of non-cooperative jurisdictions in taxation matters aimed at promoting tax good governance and minimising tax avoidance.

Togo also joined the [two-pillar plan](#) to address the tax challenges arising from the digitalisation of the economy. 134 [jurisdictions are now participating in the agreement](#).

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