



**BRUSSELS | JANUARY 2021**

## **OECD Virtual Consultation on Pillar 1 & 2 Digital Tax Blueprints**

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The OECD held 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).

Discussions highlighted contentious issues in agreeing measures under the two pillars in the remaining six months available for negotiations, particularly given uncertainty surrounding the position of the new US administration, with Pascal Saint-Amans stating the Inclusive Framework was “in waiting mode for the signals from the US.”

Chair of the Inclusive Framework, Martin Kreienbaum, stated that “Many countries have an idea of what they would like to do with pillar one. The difficulty is finding a consensus”, with stakeholders submitting submerging views on issues such as scope, implementation, safe harbours and revenue thresholds.

Business organisations called for national unilateral DSTs to be eliminated as a condition for implementation of any measures agreed and for the measures to be urgently simplified. Simplification, double taxation concerns and dispute resolution were issues raised by most stakeholders as key in further progressing the two pillars. Broad support was expressed concerning Pillar 2, although over

150 pages of comments received were reportedly devoted to simplification measures. Concerns over the interaction of GLoBE and the US GILTI regime were also raised.

Those who missed the consultation can replay the sessions via the OECD's [website](#).

## EU Parliament Adopts Resolution Urging Revisions to EU Tax Blacklist Process

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The EU Parliament has adopted a [resolution](#) calling for a wider scope, tougher criteria and a more transparent listing process concerning the EU's list of non-cooperative tax jurisdictions.

The Parliament in its resolution notes that *“jurisdictions currently on the list cover less than 2 % of worldwide tax revenue losses, making the list confusing and ineffective”* and calls for *“increased transparency and consistency, stricter and more impartial listing criteria, and stronger defensive measures against tax avoidance”*. The Parliament also expressly noted that it *“deplores the removal of countries with a clear record of promoting BEPS, such as the Cayman Islands, from the list”*.

Chair of the EU Parliament's Subcommittee on Tax Matters, Paul Tang, said of the resolution: *“By calling the EU list of tax havens “confusing and inefficient”, the Parliament tells it like it is...The truth is, the list is not getting better, it's getting worse... the Parliament strongly condemns the recent delisting of the Cayman Islands and calls for more transparency and stricter listing criteria. However, if we focus on others, we also need to look ourselves in the mirror. The picture is not pretty. EU countries are responsible for 36% of tax havens.”*

## EU-UK Brexit Trade Deal Reached

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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.

## EU Launches Digital Levy Consultation

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The EU Commission has published an inception impact assessment roadmap revealing that a [digital levy initiative](#) will be introduced in the Spring, intended to sit alongside any multilateral digital tax measures agreed at OECD level.

The document sets out that “parameters indicate that the OECD agreement will focus on large, multinational enterprise groups and a limited number of pre-defined activities linked to digitalization”, and that the EU digital levy will instead aim to be a “measure that allows for a fairer contribution from the companies that operate in the digital sphere” in line with the Digital Services Act package recently introduced addressing the dominance of digital companies, particularly in the platform economy. The inception plan indicates that the options for the digital levy being considered include:

- A corporate income tax top-up to be applied to all companies conducting certain digital activities in the EU;
- A tax on revenues created by certain digital activities conducted in the EU;
- A tax on digital transactions conducted business-to-business in the EU.

A 12-week public consultation has now been launched concerning the initiative, in the form of a questionnaire. An impact assessment will also be carried out to

inform the Commission's decision on the parameters of the digital levy.

Input can be submitted on the public consultation until 12 April 2021, using the [Have Your Say portal](#).

## Applications Invited: CFE's 2020 Albert J Raedler Medal Award

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Submissions are now invited for CFE's 2020 Albert J. Rädler Medal Award. The award was established in 2013 in order to encourage and reward academic excellence in European taxation, as well as to recognise Professor Albert J. Rädler's esteemed contribution to the field of taxation within Europe. In order to be eligible to apply, an applicant must have completed a Master's thesis in European taxation which received a distinction in the relevant calendar year, and be 30 years or under on the 31<sup>st</sup> December of that relevant year. The thesis should be written in English or, in the alternative, an English translation must be provided. The examining panel is composed of Professors Michael Lang and Pasquale Pistone, both of the Vienna University of Economics and Business, as well as of Professor Otmar Thömmes, Tax Partner at Deloitte Munich.

The successful applicant will be announced at the virtual CFE Forum on 6 May 2021 and will be awarded with the medal at an Award Ceremony which will take place at the CFE Professional Affairs Conference convened in Zagreb, Croatia on 3 December 2021. In addition to the Albert J. Rädler medal itself, the recipient will be offered travel costs to Zagreb in order to attend the 2021 CFE Professional Affairs Conference, as well as a selection of premium technical literature from our partner IBFD.

Please send the applications until 15 March 2021 to the attention of Ms. Karima Baakil via email at: [info@taxadviserseurope.org](mailto:info@taxadviserseurope.org)

## EU-China Trade Agreement

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The EU and China have 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](#).

## ECOFIN Discusses Portuguese Presidency Tax Priorities

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The Portuguese Presidency of the Council of the EU held its first [ECOFIN meeting](#) last week, discussing the Portuguese Presidency Agenda for the first half of 2021.

Speaking at a press conference following the meeting, Executive Vice-President Dombrovskis stated that finalising recovery plans and ratifying the EU own resources decision was of utmost priority, and that country-specific recommendations from 2019 and 2020 would be essential in countries compiling plans, to ensure that the EU green and digital transition targets are achieved.

As concerns tax, Executive Vice-President Dombrovskis stated “We will also work further on digital and sustainable finance, and tax policy. For example, we will soon publish a Communication on Business Taxation for the 21st century,

outlining the next steps of our agenda on digital and corporate taxation, followed by our proposal for a digital levy by the middle of the year".

The next ECOFIN meeting will take place on 16 February.

## OECD Tax & Development Day - 29 January

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The 11th plenary meeting of the OECD/G20 Inclusive Framework on BEPS was held virtually from 27 to 28 January and was open to the public via live webstream on the [OECD website](#).

Day 1 of the meeting focused on the global economic outlook and post COVID-19 recovery, as well as featuring a session on Sustainable Development Goals and the role of taxation, and tax morale. Day 2 focused on the topic of the future of international tax, the tax challenges of digitalisation, 2021 priorities of the G20, a debrief on the recent OECD Pillar 1 & 2 Consultation and a BEPS update.

On 29 January a briefing session "Tax & Development Day" was held on current OECD tax and development work, examining the topics of: BEPS & the extractive industries; fighting tax and crime; tax in the COVID era & beyond; digitalisation to support efficient tax administration; and a work update on the Platform for Collaboration on Tax, amongst other topics.

## EU to Extend Temporary COVID-19 State Aid Framework

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The EU Commission has launched a [consultation](#) with Member States on extending the duration and scope of the Temporary State Aid Framework, adopted in March to assist Member States in dealing with the economic impact of the COVID-19 outbreak and prolonged in October 2020 to apply until 30 June 2021.

The Framework allows Member States to provide aid by: providing grants,

selective tax advantages and advance payments; providing State guarantees for loans taken by businesses; subsidising public loans to companies, putting in place safeguards for banks providing State aid to the economy; and providing short-term export credit insurance.

The Commission is proposing to extend the Framework to apply until 31 December 2021, to increase the amounts of aid that can be granted to companies and to enable Member States at a later stage to convert repayable loans provided into grants.

Executive Vice-President Margrethe Vestager stated of the consultation, *“As the second wave of the coronavirus outbreak continues to deeply affect our lives, businesses across Europe are in need of further support to weather the crisis. That’s why we are proposing to prolong the State aid Temporary Framework until 31 December 2021 and to increase the aid amounts available to companies under certain measures to ensure that effective support remains available. We will decide on the way forward taking into account the views of all Member States and the need to preserve effective competition in the Single Market.”*

## Vacancy: Tax Technical Officer at CFE Tax Advisers Europe

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CFE Tax Advisers Europe is searching for suitable applicants to fill a vacancy for the role of Tax Technical Officer in the CFE Brussels Office. The successful candidate will work on pertinent EU and international tax policy issues within the CFE tax policy team.

We are looking for a flexible team player with good communication skills and cultural sensitivity who is able to respond to the needs and expectations of our Committee members across Europe. Further information concerning the role and the selection criteria can be found [here](#).



Interested candidates should send a cover letter and their CV by 8 February to the attention of Mr Martin Phelan, CFE Secretary-General, at [info@taxadviserseurope.org](mailto:info@taxadviserseurope.org). Interviews with pre-selected candidates are expected to take place the week of 15 or 22 February 2021.

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