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European Commission Strategic Report on Future of Europe's Competitiveness

The European Commission published today the long-awaited [strategic report](#) on the future of the Single Market and Europe's competitiveness. "The future of European competitiveness – A competitiveness strategy for Europe" is a report prepared by former European Central Bank President and pre-eminent economist Mario Draghi, on request of the European Commission. Draghi oversaw Europe's battle with the 2009 financial crisis and the resulting fallout by doing "everything it takes" to save the Eurozone. The economic vision [outlined](#) in the report is designed to guide the next mandate of European Commission President Ursula von der Leyen.

Draghi's report identifies the key areas that would help jump-start Europe's sluggish Single Market, in particular with a view of the rising geopolitical tensions. Investments the likes of which are not seen since the end of the World War 2 will be required to deal with Europe's "existential challenges". To tackle the low productivity and weak growth which makes Europe lag behind the United States and China, the report calls for an investment package of €800 billion a year and a joint European debt scheme, among other measures.

"We have reached the point where, without action, we will have to either compromise our welfare, our environment or our freedom. If Europe cannot become more productive, we will be forced to choose. We will not be able to become, at once, a leader in new technologies, a beacon of climate responsibility and an independent player on the world stage. We will not be able to finance our social model. We will have to scale back some, if not all, of our ambitions.", Mario Draghi said.

Draghi's report further suggests that Europe must bring down high energy prices while continuing to decarbonise and shift to a circular economy:

"The energy landscape has changed irreversibly with the Russian invasion of Ukraine and the resulting loss of pipeline natural gas. While energy prices have fallen considerably from their peaks, EU companies still face electricity prices that are 2-3 times those in the US and natural gas prices paid are 4-5 times higher. At the same time, Chinese competition is becoming particularly acute in the key industries that will drive decarbonisation – such as clean tech and electric vehicles.", the report reads.

The report outlines several key tax aspects, primarily focusing on energy taxation, Capital Markets Union (CMU), and withholding tax, all of which are essential for enhancing Europe's competitive edge.

- **Energy Taxation and Competitiveness:** The report highlights that energy taxation plays a crucial role in shaping energy prices across the EU. High energy taxes, in combination with the Emissions Trading System (ETS), contribute to elevated retail energy prices, which place European businesses at a disadvantage compared to global competitors, especially the US, where energy taxation is lower. The report suggests revisiting energy taxes, proposing a unified approach across Member States to limit energy surcharges, taxes, and network charges. This would help reduce energy costs, enhance industrial competitiveness, and ensure that decarbonisation does not come at the cost of economic growth.
- **Capital Markets Union (CMU) and Withholding Tax:** In addition to energy taxation, the report emphasises the need for advancing the CMU by addressing barriers like inconsistent tax regimes, including withholding taxes. The fragmentation of tax and insolvency laws across Member States restricts the free flow of cross-border investments, which is critical for integrating capital markets. Reducing withholding tax obstacles and harmonising policies across the EU would enable more efficient capital movement, fostering a better investment environment and supporting Europe's financial sector growth.

By addressing both energy taxation and capital markets union issues, the report advocates for harmonised reforms that not only reduce energy costs but also eliminate barriers to capital flow. These reforms are critical to enhancing Europe's productivity, innovation capacity, and overall competitiveness in the global economy, the report concludes.

U.N. Adopts Terms of Reference for UN Tax Convention

On 16 August 2024, the United Nations took a [significant step](#) in international tax policy by adopting the Terms of Reference ("TOR") of UN Tax Convention. The intergovernmental committee at the U.N. headquarters in New York adopted the final draft of the Terms of Reference (TOR) with 110 votes in favour, 8 against, and 44 abstentions. This vote represents a groundbreaking move, which according to the African group of nations which submitted the original convention, is a step towards more inclusive international tax cooperation. Some nations at the UN celebrated this as a historic achievement. *"The vote is a truly historic achievement, the first-ever formal attempt by countries to draft a constitutive document to guide international tax cooperation,"* India's ambassador said.

Governments are aiming to establish a legally binding agreement on the taxation of cross-border services by the end of 2027, as outlined in TOR adopted on 16 August. The TOR, which sets the framework for the U.N. convention on international tax cooperation, emphasises that one of the initial protocols should address the taxation of income from cross-border services in the increasingly digitalised economy. During the drafting process, there was some conceptual overlap between cross-border services and the digital economy, reflecting attempts by various states to merge these priorities into the convention's eventual agreements or protocols.

The U.S. government initiated the vote on the final draft for the U.N. framework convention on international tax cooperation, preventing its adoption by consensus. The U.S. representative urged countries to vote against the TOR, suggesting that meaningful and durable changes in international tax cooperation require broad-based support and global buy-in, which they believed was lacking in the current draft. In addition, five proposed amendments, including three from the European Union, were rejected with over 100 votes against, reflecting significant opposition to changes suggested by the U.S. and the EU.

The EU Member states abstained from the vote, and [criticised](#) the outcome. *"The EU Member states and the candidate countries for EU membership regret that the final draft Terms of Reference text does not adequately reflect our key points of concern, despite our constructive approach and sincere readiness to compromise. While we entered these discussions with an open and a collaborative spirit, the outcome fails, regrettably to address critical concerns that we have raised consistently and repeatedly, in particular as regards the need for broad consensus support in order to ensure the inclusivity and effectiveness of a Framework*

Convention."

The U.K. proposed that the next committee handle all substantive decisions and include provisions to maximise participation, while Canada suggested language to reduce inconsistencies with existing global tax reforms under OECD. Despite these disagreements, the final draft is set to be adopted by the General Assembly of the UN.

CFE's 2024 Conference on Tax Advisers' Professional Affairs | Ljubljana | 19 September 2024

CFE Tax Advisers Europe will hold its [17th European Conference on Tax Advisers' Professional Affairs](#), co-hosted by Slovenian and Serbian Member Organisations DSZS - Davčno svetovalna zbornica Slovenija & UPSS - Udruzenje poreskih svetnika Srbije, on the topic of "*Global Policy Trends : AI & The Future of Tax Planning & New EU Rules on Anti-Money Laundering*". The conference will take place on Thursday, 19 September 2024, from 10:00 am - 16:00 pm, at the Grand Plaza Hotel Ljubljana.

The conference will bring together experts and professionals at the forefront of these two important topics to address global critical policy trends: the future of tax planning with the advance of AI, the role of professional standards in safeguarding the integrity of the tax profession and the fiscal system in an era of extraordinary computational capabilities of AI. A separate panel will elaborate on the new EU rules on anti-money laundering and terrorist financing, and their impact for tax professionals, accountants, auditors.

The conference programme and registration link are available [here](#).

Next EU Commission Appointments: Key Roles and Portfolios

In anticipation of European Parliament hearings which are set to approve Member states' nominees for European commissioners, the President of the European Commission has started discussions with the nominees in assigning the key portfolios and roles within her new cabinet. Speculation is abundant about who will secure the most influential positions, as the distribution of these portfolios will significantly impact EU policy directions and political dynamics.

Key Anticipated Appointments:

- **Thierry Breton (France):** Expected to become Vice-President for Industry and Strategic Autonomy, being one of the most influential members of the European Commission. Breton will focus on enhancing EU industrial capabilities and reducing dependency on external resources.
- **Teresa Ribera Rodriguez (Spain):** Vice-President of the European Commission, expected to oversee either the Green and Digital Transition, highlighting her strong background in climate policy and alignment with von der Leyen's green ambitions, or one of the most powerful portfolios, competition. Reports in recent days have indicated that Spain insists on its key role in Brussels and DG Competition is what they expect from von der Leyen.
- **Raffaele Fitto (Italy):** Likely to be named Executive Vice-President for Economy and post-pandemic recovery, in significant victory for Italy's Prime Minister to receive such a powerful portfolio.
- **Valdis Dombrovskis (Latvia):** A strong contender for Executive Vice-President for Enlargement and Reconstruction of Ukraine, combining his economic expertise with geopolitical strategy.
- **Kaja Kallas (Estonia):** Set to become the High Representative for Foreign Affairs and Security Policy, EU's key diplomat, leveraging on Estonia's role and pro-Ukraine positions.

Other appointments will reflect a balance of geographical, political, and gender considerations, with von der Leyen carefully navigating lobbying pressures and ensuring alignment with the EU's strategic objectives. Slovenia's candidate for commissioner dropped out, citing disagreements with von der Leyen. *"Unfortunately, President von der Leyen and I do not share the same concept of how the European Commission should work and I have therefore decided to withdraw my candidacy for the good of the Republic of Slovenia,"* Vesel said. Slovenia has now nominated Marta Kos as its next European commissioner, also in line with von der Leyen's quest for a more gender-balanced commission.

University of Silesia & Silesian Branch of Polish National Chamber of Tax Advisers' Second International Tax Conference: "Taxes of Tomorrow" - 20 September 2024

The Silesian Branch of the Polish National Chamber of Tax Advisers, a member of CFE Tax Advisers Europe, in cooperation with the Faculty of Law and Administration of the University of Silesia in Katowice are hosting their [Second International Tax Conference](#) on the topic of "Taxes of Tomorrow: Directions of tax law development in European countries". It will be held online on 20 September 2024.

The Conference will focus on identifying and delineating the development directions of tax law in EU countries, with the aim to develop model legislative solutions that these countries have implemented in response to current challenges and the evolving tax landscape. The primary objective is to assess the priorities of European legislators in shaping tax law, explore the legislative approaches taken by individual countries to address these issues, and evaluate the resultant effects. The conference will be conducted entirely in English.

Further information and registration for those wishing to participate is available [here](#).

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