BRUSSELS | 28 MAY 2024

EU Council of Ministers Approves FASTER Directive

The Council of the EU, in composition of EU's finance ministers (ECOFIN), approved the European Commission proposal on a directive establishing faster withholding tax relief (WHT) procedures and common tax residency certificate (eTRC) from 1 January 2030. CFE Tax Advisers Europe welcomed this initiative of the European Commission, and in its representations urged the EU to be bolder and envisage a more ambitious implementation timeline.

Currently, many EU Member states tax dividends and interest paid to foreign investors, resulting in double taxation. Double tax treaties aim to resolve this, but complicated relief procedures make the process lengthy, costly, and susceptible to fraud. The Directive aims to reduce administrative burden and facilitate the relief procedure by establishing:

1. Common Tax Residence Certificate (eTRC): EU digital certificate for fast-track double tax relief;

2. Fast-Track Procedures with relief-at-source (tax applied at payment) or quick refund within a set deadline. The procedure becomes mandatory for publicly traded shares, and optional for bonds, with current procedures retained under certain conditions;

3. Additional provisions: Anti-fraud measures, provisions for indirect investments, due diligence by certified financial intermediaries, financial

intermediaries must report transactions, European portal will host national registers, direct and indirect reporting and penalties for non-compliance.

Speaking after the ECOFIN, Vincent Van Peteghem, Deputy PM and minister of finance of Belgium said: "Aligning our tax relief procedures is essential if we want to improve the functioning of the capital markets union. I’m glad we have found an agreement on this important proposal, which will also help to fight tax fraud much more efficiently. It will make investing in other countries easier and hopefully encourage retail investors in particular to invest on European financial markets, which will eventually benefit the whole economy."

The European Parliament will be consulted again on the agreed text due to changes made by Council after Parliament's first consultation, and the agreed text will then be translated and published in the Official Journal of the European Union. Member states have a transposition deadline of 31 December 2028, but the national rules will have to become applicable from 1 January 2030.

The Council did not reach an agreement on ViDA, the proposals for reforming VAT fit for the digital age and discussions on the file will continue.

U.S. Will Not Support Global Minimum Wealth Tax: Secretary of Treasury

The proposals for 2% minimum tax on wealthiest individuals does not have the support of the United States government, U.S. Secretary of Treasury Janet Yellen said for The Wall Street Journal on Monday. "The notion of some common global arrangement for taxing billionaires with proceeds redistributed in some way — we’re not supportive of a process to try to achieve that. That’s something we can’t sign on to.”, Yellen said speaking about the G20 plan which has acquired support from other global players such as Brazil and France. The plan was floated by the EU-financed Tax Observatory and its director Gabriel Zucman, who proposed 2% annual tax applied to the wealth of circa 3,000 billionaires to generated $250 billion in revenue each year.

“Although there is a lot that can be done by countries acting individually, the best way to address this regressivity is by creating a common minimum standard through international coordination. This is because the main obstacle to taxing the very rich in practice is the risk that they may relocate to low-tax places. This international competition has exerted considerable pressure on the design of tax systems globally. But with international coordination, a binding floor can be put to the tax rates of the ultra-wealthy.”, Zucman said speaking at G20.

The proposed measures on establishing global minimum wealth tax have acquired the support from France and the International Monetary Fund (IMF). Speaking separately, French Finance Minister Bruno Lemaire said the proposals have "the absolute support of France", whereas IMF's Managing Director Kristalina Georgieva said: “In most countries, the rich pay fewer taxes than the middle class and even the poor. Our first choice is to close the loopholes and prevent tax evasion. We call on the international community to implement agreements that allow sharing of tax information.”

The Belgian presidency of the EU and the European Commission informed EU finance ministers about the outcome of the G20 finance ministers’ and central bank governors’ meeting that took place on 17-18 April 2024 and the spring meetings of the International Monetary Fund (IMF) in Washington DC.

CFE - Accountancy Europe Members' Only Webinar: New EU AML Rules - What Changes For Practitioners?

In 2021 the European Commission put forward an ambitious package of legislative proposals to strengthen the EU’s Anti-Money Laundering (AML) rules - “the AML Package”. After more than two years of negotiations, the European Parliament adopted the AML package on 24 April 2024. Accountants, auditors and tax advisers play an important role in keeping European citizens safe from money laundering and terrorist financing. The new AML rules will bring significant changes for these professions.

CFE Tax Advisers Europe and Accountancy Europe have partnered to help member bodies, tax advisers, accountants and auditors better understand the changes. We will address how the new requirements will affect practitioners' day-to-day work, why it's important to start preparing now and where to start. This is an **invitation-only webinar for CFE Tax Advisers Europe and Accountancy Europe Member organisations and their members.**

The discussion will take the form of a virtual fireside chat between Angela Foyle, Accountancy Europe AML Working Party Chair, Aleksandra Vasilić, Director AML Office, EY, and Rolf Declerck, President of the Commission on Quality Performance Review, Belgian Institute of Tax Advisors and Accountants, CFE Tax Advisers Europe.

Registration for Members of CFE and Accountancy Europe is now open via the following link.

European Elections: 6 - 9 June 2024 #UseYourVote

CFE Tax Advisers Europe has concluded a Partnership Agreement with the European Parliament to promote the 2024 European elections scheduled for 6 - 9 June 2024, and EU citizens with a right to vote can directly elect Members of the European Parliament from their constituencies.

In a few weeks time the European Union will witness the world's second-largest democratic exercise as citizens cast their votes in the 2024 European Elections. This moment is an opportunity for every citizen to shape the future of Europe, while also helping uphold democracy - because the more people vote the stronger democracy becomes.

The European Parliament has launched its campaign to encourage voter turnout. The emotional campaign is centred around a four minute video featuring senior Europeans who have witnessed first-hand the transformative power of democracy in their lives. These exceptional individuals wanted to pass on their personal stories - whether they lived through times of oppression or experienced the fragility of democracy - to their grandchildren and the next generation more widely. Together, their testimonies paint a story of how voting is not something we should take for granted and urge the viewer to #UseYourVote. Or others will decide for you.

More information on the voting process is available on the EU Elections webpage.

CFE Statement - EU Tax Dispute Resolution Mechanisms Review

CFE Tax Advisers Europe has published an Opinion Statement responding to a consultation of the European Commission concerning the operation of the Directive on Tax Dispute Resolution Mechanisms in the European Union. Directive (EU) 2017/1852 on tax dispute resolution mechanisms in the European Union (the “DRM”) was adopted by Member States on 10 October 2017 and is applicable as from 1 July 2019. It lays down rules on a mechanism to resolve disputes between Member States when those disputes arise from the interpretation and application of agreements and conventions that provide for the elimination of double taxation of income and, where applicable, capital. It also lays down the rights and obligations of the affected persons when such disputes arise.

CFE welcomes the adoption of the DRM Directive which it considers to be a positive development for the protection of taxpayers’ rights as explained in our previous Opinion Statements on this matter. It is however still too early to have sufficient practical experience in relation to the functioning of the DRM as it has only been operational since 1 July 2019. There are nevertheless outstanding issues that, in CFE’s view, merit further consideration. In particular, CFE in its Statement raised the following points:

- Closer involvement of the taxpayer in the process would increase tax certainty and the trust of taxpayers in these types of dispute resolution procedures;
- Relationships between taxpayers and tax administrations would be improved if transparency would be reciprocal. Improving tax transparency of tax administrations towards taxpayers would enhance the trust of taxpayers and legal certainty.;
- Member States and tax administrations should have the duty to provide guidelines to taxpayers on the implementation and application of the DRM;
- It would also be crucial to remove barriers to entry to certain remedies, such as tax administrations imposing criminal penalties or pushing for settlements by offering better bargaining positions to close the door to MAP;
- It would be important to ensure that the DRM is an appropriate tool to deal with future disputes related to the application of the Pillar 2 rules as implemented in the EU through Council Directive (EU) 2022/2523;
- The number of disputes may increase in the EU should the Proposal for a Council Directive on transfer pricing be adopted given it sets the threshold for control at a 25% shareholding, while the OECD Transfer Pricing Guidelines apply a 50% shareholding threshold to determine whether the control criterion is met. This 25% threshold would dramatically increase the transfer pricing compliance burden of companies operating in the EU and as a consequence broaden the scope of transactions potentially subject to dispute between two tax administrations in the EU.

CFE hopes that these comments will be helpful to the Commission in the review the functioning of the DRM.

The selection of the remitted material has been prepared by: Aleksandar Ivanovski & Brodie McIntosh.