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Intergovernmental Negotiations Commence on UN International Tax Cooperation

The Intergovernmental Negotiating Committee to advance the Framework Convention on International Tax Cooperation of the United Nations will convene this week, with an organisational session at the United Nations Headquarters in New York taking place from 3 to 6 February 2025.

At the session, the Committee will determine its organisational structure, including electing officers and setting decision-making rules. International organisations, civil society, and other stakeholders have been encouraged to contribute to the discussions, ensuring broad representation.

A key focus of the [agenda](#) is the development of Protocol I, which addresses the taxation of income derived from cross-border services in an increasingly digitalised and globalised economy. Additionally, discussions will include the selection of a second protocol from a list of priority areas, including taxation of the digital economy, combatting tax-related illicit financial flows, preventing and resolving tax disputes, and tackling tax evasion and avoidance by high-net-worth individuals.

EU's "Competitiveness Compass": Implications for Tax Policy

Last week, the the European Commission published a [Communication proposing a "Competitiveness Compass"](#) for the EU, a competitiveness model to guide the focus of the EU in the coming five years and setting out priorities to improve competitiveness based on "innovation-led productivity" whilst "removing constraints holding back growth", in line with recommendations and findings in the Draghi and Letta reports.

The Competitiveness Compass highlights taxation as a key factor in shaping the EU's business environment and driving investment. Recognising the role of tax policy in supporting innovation and economic growth, the Commission calls for coordinated national reforms to create a more investment-friendly tax framework across Member States. A particular focus is placed on aligning tax incentives—such as depreciation rules and tax credits—with the EU's sustainability goals, ensuring that they encourage private investment in clean technologies and industrial decarbonisation. The communication also signals an intention to simplify taxation and reduce compliance burdens, particularly for SMEs and scale-ups, to enhance their competitiveness within the Single Market.

In addition, the Competitiveness Compass underscores the importance of removing tax barriers to cross-border investment. Measures under the proposed Savings and Investments Union will seek to address obstacles to capital mobility, including taxation-related frictions that hinder the efficient allocation of private savings into productive investment. The document also confirms plans to simplify the Carbon Border Adjustment Mechanism (CBAM), particularly for smaller market participants, as part of a broader strategy to prevent carbon leakage and ensure a level playing field for EU businesses. Tax policy is positioned as a means to enable investment, innovation, and the EU's green and digital transitions, with further proposals expected to follow in the coming years.

Registrations Open: CFE Forum | 27 March 2025 | Brussels

CFE Tax Advisers Europe will hold the [2025 CFE Forum](#) in Brussels on 27 March, on the topic “*Navigating Tax Transformation: From Compliance to Competitiveness*”, with the focus of discussions to centre on critical global and European tax developments.

The panel topics will explore: Global Tax Reform: BEPS implementation, the UN Framework Convention, and EU competitiveness; ECJ Case-Law Insights: significance of recent ECJ rulings on state aid and DAC6, Technical Tax Matters: Delving into transfer pricing, VAT challenges and opportunities; and, Digital & Green Taxation: The EU's path toward sustainable and innovative fiscal policies.

Further information and registration is available via the CFE website [here](#).

Commissioner Hoekstra at EU Parliament Tax Subcommittee Meeting: 6 February 2025

On 6 February, the European Parliament's Subcommittee on Tax Matters, FISC, will hold its next [meeting](#). Commissioner Wopke Hoekstra will attend to outline strategic priorities in the taxation domain for the EU Commission, including innovative solutions aimed at enhancing integration, cross-border operations, and digitalisation within the EU financial sector.

Chair Pasquale Tridico in the [FISC February Newsletter](#) stated that decision of U.S. President Trump to withdraw from the OECD/G20 Inclusive Framework global tax agreement is deeply regrettable and poses new challenges for tackling tax evasion and aggressive tax avoidance. He also emphasised that it highlighted the urgent need for the EU to defend its achievements and uphold multilateralism in tax policy.

Also at the meeting this week, FISC will hold dialogues with the European Public Prosecutors' Office and Eurofisc, and host a public hearing on financial sector taxation, on the topic "*Developing a coherent tax framework for the EU financial sector*".

EU to Intensify Efforts to Combat VAT Fraud

The European Parliamentary Research Service has published a [briefing](#) entitled "*Filling the Gap: The EU's Fight Against VAT Fraud*", outlining the scale of VAT fraud and the measures being implemented to tackle it. The report highlights that in 2022 alone, the VAT gap—representing uncollected tax—stood at €89 billion, with a substantial portion linked to fraud. The EU has introduced a range of initiatives to address the issue, including digital tools, strengthened cooperation between tax authorities, and new legislative measures.

The study examines major fraud schemes such as missing trader intra-Community (MTIC) fraud and customs procedure 42 fraud, both of which exploit VAT exemptions. The EU has responded by enhancing administrative cooperation through Eurofisc and the European Public Prosecutor's Office and by implementing digital solutions like the Central Electronic System of Payment Information. The VAT in the Digital Age package (VIDA), which will introduce mandatory digital reporting for cross-border transactions by 2030, is expected to improve compliance and fraud detection.

Despite these efforts, the briefing identifies that challenges remain. Fraudsters continue to exploit weaknesses in the VAT system, and the complexity of enforcement across multiple jurisdictions requires further coordination. Policymakers are reviewing the effectiveness of existing anti-fraud structures and looking to streamline cooperation between EU institutions and national authorities.

The selection of the remitted material has been prepared by:
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