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US Announces Withdrawal from UN International Tax Cooperation as Intergovernmental Negotiations Commence

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The organisational session of the Intergovernmental Negotiating Committee for the United Nations Framework Convention on International Tax Cooperation took place from 3 to 6 February 2025 at the UN Headquarters in New York. The session aimed to establish procedural rules, elect committee officers, and select the subject of the second early protocol. However, the negotiations were marked by the abrupt withdrawal of the United States on the first day, citing that the goals of the convention were inconsistent with its priorities and represented overreach. Despite the US's objections and call for others to join in opposition, no other member states followed suit, and the negotiations proceeded as planned.

Discussions on decision-making processes highlighted a divide between developed and developing countries. Developed nations, including the European Union and Canada, advocated for consensus-based decision-making, while a majority of developing countries, led by the Africa Group, supported a simple majority or two-thirds majority voting mechanism. After prolonged debates, a compromise was reached: efforts would be made to achieve consensus, but if consensus was not possible, decisions on substantive matters within the protocols would require a two-thirds majority, while matters within the broader convention would follow the General Assembly's majority voting rules. A proposal by France and the UK to enforce consensus-based decision-making was rejected in a vote, reinforcing the principle of inclusive decision-making.

The selection of the second protocol was another key agenda item, with four priority areas under consideration. Following extensive consultations, the Intergovernmental Negotiating Committee agreed to prioritise "prevention and resolution of tax disputes," which was widely supported as the least controversial option. This decision was adopted by consensus, with an understanding that the other areas—taxation of the digital economy, measures against illicit financial flows, and taxation of high-net-worth individuals—would remain on the agenda for future protocols. While the European Union expressed concerns about the process and requested further clarity on the negotiation framework, the overall decision reflected a broad commitment to advancing international tax cooperation.

The session concluded with the adoption of its official report and the establishment of intersessional workstreams to facilitate negotiations on the convention and protocols. Three workstreams were proposed, each to be led jointly by a Vice Chair from a developed and a developing country. The Bureau was tasked with finalising working methods and a roadmap for the next stages of negotiations. The roadmap is expected to be finalised in March.

Commissioner Hoekstra Addresses Key EU Tax Priorities at FISC Meeting

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Last week, on 6 February, Commissioner Wopke Hoekstra attended a meeting of the European Parliament's Subcommittee on Tax Matters (FISC) to outline the EU Commission's strategic priorities in the taxation domain. He highlighted three key focus areas: enhancing competitiveness, supporting the green transition, and improving fairness and transparency. Proposed measures include tax incentives for clean tech investments, simplifications in VAT reporting, and updates to anti-avoidance directives.

Discussions with MEPs covered a range of taxation challenges, including the persistent €89 billion VAT gap, the taxation of ultra-high-net-worth individuals, and reforms to energy and tobacco taxation. The Commissioner stressed the importance of addressing the increasing volume of small parcels entering the EU, which presents logistical and regulatory challenges. There was also a renewed focus on financial sector reforms, particularly the Capital Markets Union, with frustration expressed over the lack of progress since 2017.

The Commissioner also reaffirmed the EU's commitment to the OECD's global tax framework, despite the US withdrawal from the Pillar Two agreement. He described the US decision as a "regrettable development" but insisted that the EU remains fully committed to implementing the agreement and ensuring European companies are not placed at a competitive disadvantage. Hoekstra also addressed ongoing UN tax negotiations, acknowledging the push for a more inclusive global tax dialogue but emphasising that the OECD framework remains "the most effective way forward" for achieving coordinated international tax reform.

Register Now : 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.

Meta Calls EU Regulations "Tariff" on US Tech: Tax & Trade at Heart of Transatlantic Tensions

Meta’s global affairs chief, Joel Kaplan, has criticised European digital regulations, describing them as a de facto tariff on U.S. tech firms. Speaking at the EU AI Innovation Day last week, he argued that Europe’s regulatory approach stifles innovation and unfairly targets American companies. His remarks reflect broader transatlantic tensions over trade and taxation, with Washington increasingly viewing EU digital policies as a form of trade discrimination. As the U.S. government prioritises economic interests, there are growing concerns that regulatory disputes could escalate, shaping the future of U.S. - EU economic relations.

For Meta and other tech giants, the concern extends beyond compliance costs to the potential for a broader trade conflict over digital regulation and taxation. Kaplan pointed to Meta’s experience with European regulators, including a nearly $1 billion fine for its Facebook Marketplace service, as an example of what he sees as excessive financial penalties rather than genuine consumer protection efforts. He also warned that Europe’s strict AI regulations, such as the AI Code of Practice, could put Western tech firms at a disadvantage against Chinese competitors, making it harder for them to operate in the region.

With digital markets, AI, and taxation policies at the centre of these tensions, Meta is pushing for a more flexible regulatory approach in Europe. While Kaplan emphasised the company's willingness to collaborate with European businesses and policymakers, he made it clear that Meta would not hesitate to seek U.S. government support in resisting what it sees as unfair treatment. The outcome of this ongoing regulatory battle will have significant implications for global trade, competition policy, and the future of the tech industry.

OECD Technical Webinar on Amount B Implementation: 11 February

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The OECD will host a technical webinar tomorrow, 11 February, to discuss Amount B: Streamlining Transfer Pricing for Marketing and Distribution. The session will review key scoping and pricing elements from the Amount B guidance, first published by the Inclusive Framework in February 2024 and supplemented throughout the year. Additionally, the OECD team will provide a demonstration of the newly released Pricing Automation Tool and outline the latest developments in implementation and next steps. Attendees will have the opportunity to engage with OECD experts through a live Q&A session.

The webinar is designed for business stakeholders, particularly tax, transfer pricing, and finance professionals from multinational enterprises, as they prepare for the implementation of Amount B in 2025/2026. It will be conducted in English via Zoom, without interpretation services. Participants can submit questions in advance through the Zoom registration process or live during the session. A recording of the webinar will be made available to all registrants within 24 hours and accessible on the OECD's website.

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