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Key EU Council Discussions this Week: Tax Cooperation, Business Simplification & Competitiveness

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This week, the Economic and Financial Affairs Council (ECOFIN) meeting on 11 March will focus on several key areas impacting tax policy. Ministers will discuss the Omnibus Package presented by the Commission, which aims to reduce administrative burdens by at least 25% and by 35% for small- and medium-sized enterprises (SMEs). Additionally, the outcomes of the recent G20 Finance Ministers and Central Bank Governors meeting will be discussed, alongside preparations for the upcoming April G20 and IMF meetings.

The Council aims to reach a political agreement on the Directive on Administrative Cooperation in the Field of Taxation (DAC9), which supports the Pillar 2 Directive for a global minimum level of taxation for multinational enterprise groups (MNEs), by making it easier for MNEs to comply with their filing obligations under that Directive, such that MNEs only have to file one top-up tax information return, at central level, for the entire group. Additionally, the Council is expected to adopt the VAT in the Digital Age (ViDA) package, finalised last November.

On 12 March, Ministers at the Competitiveness Council will exchange views on the Competitiveness Compass and the clean industrial deal, focusing on a modernised single market strategy. The first two Omnibus simplification packages, aiming to reduce reporting obligations by 25% (and by 35% for SMEs), will be presented for Ministers' reactions. Additionally, discussions will include the EU's carbon border adjustment mechanism (CBAM), which seeks to mitigate carbon leakage and promote cleaner industrial practices globally.

Other agenda items for the Competitiveness Council will include strategies for a sustainable and secure e-commerce environment and an action plan for services within the single market. Ministers will also receive information on a potential new horizontal single market strategy, the challenges faced by the European chemicals industry, and an automotive industry action plan. These discussions aim to strengthen the EU's industrial competitiveness and resilience in the face of global challenges.

OECD Publishes New BEPS Action 14 Peer Review Results

The OECD has released the latest Peer Review Reports under BEPS Action 14, highlighting ongoing progress in enhancing dispute resolution mechanisms for tax treaty-related issues. The reviews form part of a broader initiative to implement a minimum standard for resolving double taxation disputes effectively. The release features results from 10 jurisdictions under the simplified process: Benin, Burkina Faso, Dominica, Grenada, Iceland, Montenegro, Peru, Saint Lucia, Samoa, and Senegal.

Following the completion of over 80 peer reviews between 2016 and 2022, the Inclusive Framework on BEPS adopted a new Assessment Methodology in December 2022. This updated approach includes a simplified review process for jurisdictions with limited experience in Mutual Agreement Procedures (MAP) and a full review process for those with substantial MAP experience.

Key findings from the review show positive strides in aligning national policies with the Action 14 minimum standard. Notably, Burkina Faso, Iceland, Peru, and Senegal all signed the Multilateral Instrument, with ratifications already completed by several of these jurisdictions. Additionally, Iceland, Peru, and Senegal resolved MAP cases within the targeted 24-month period, demonstrating effective resource allocation. Meanwhile, Dominica, Grenada, Montenegro, Saint Lucia, and Samoa, despite having no prior MAP experience, have adopted policies to ensure access to MAP in eligible cases.

The OECD will continue publishing peer review reports in line with the established schedule, supporting jurisdictions in refining their dispute resolution frameworks.

CFE Forum | 27 March 2025 | Brussels

Register now for the CFE Tax Advisers Europe 2025 CFE Forum, which will be held in Brussels on 27 March, on the topic *"Navigating Tax Transformation: From Compliance to Competitiveness"*, where policymakers, tax experts, and industry leaders will explore the latest critical global and European tax developments. This full-day conference will feature four panels discussing key topics in tax, including:

Global Tax Reform – Gain insights from Bert Zuijdendorp (European Commission), Ruston Tambunan (Asia-Oceania Tax Consultants Association), Edwin Visser (PwC Netherlands), and Tom Jansen (OECD Permanent Representation of Belgium) on BEPS implementation, UN tax initiatives, and EU competitiveness.

ECJ Case-Law Updates – Understand the impact of major rulings, including Apple's state aid case and DAC6, with speakers such as Karl Croonenborghs (European Commission), Isabelle Richelle Graulich (HEC University), Eric Kemmeren (Tilburg University), and Sean Bray (Tax Foundation).

Transfer Pricing & VAT – Explore their complex interplay with insights from Trudy Perié (Loyens & Loeff), Federico Vincenti (Crowe Valente), and Luc Dhont (Procter & Gamble).

Digital and Green Taxation – Discuss the role of AI, digitalisation, and sustainability in shaping a competitive tax future, featuring experts like Roberta Poza (Deloitte), Markus Ehgartner (Chair, CFE Tax Technology Committee), and Eduardo Gracia Espinar (Ashurst, Spain).

Further information and registration is available via the CFE website here.

OECD Publishes Report on Capital Gains Taxation

The OECD has published a report titled "*Taxing Capital Gains: Country Experiences and Challenges*", examining how capital gains are taxed across member countries and evaluates the challenges associated with the current systems, providing a detailed analysis of the policy options available for designing more effective and equitable capital gains tax systems. According to the report, most OECD countries tax capital gains upon realisation, typically at lower rates than other forms of income and often with various exemptions, especially for assets such as housing and closely-held businesses.

The report also explores alternative approaches to taxing capital gains, including targeted relief measures and adjustments to the realisation basis of taxation. These alternatives aim to address issues such as the lock-in effect and tax minimisation strategies, while enhancing fairness and efficiency. The OECD caution in the paper that any reforms must weigh trade-offs to avoid increasing administrative complexity or exacerbating existing inequities.

CFE Opinion Statement FC 1/2025 on the VAT Treatment of Chain Transactions Involving Imports into the EU

CFE Tax Advisers Europe has issued an Opinion Statement prepared by the CFE Indirect Taxes Subcommittee on the VAT treatment of chain transactions involving imports into the EU.

Import chain transactions are amongst the most commonly occurring business transactions for the EU as an outward looking union of important economies trading with the rest of the world. It is therefore of paramount importance that the VAT treatment of these types of transactions should be clear and certain throughout the EU.

Council Directive 2006/112/EC ("VAT Directive") does not currently offer explicit rules to establish the VAT place of supply in relation to chain transactions involving imports into the EU ("import chain transactions"). The case law of the Court of Justice of the European Union (CJEU) equally does not provide guidance on this specific topic. The resulting uncertainty has led some Member States to proactively introduce rules in this area. This in turn has heightened the level of uncertainty in other Member States. Further, as chain transactions can involve more than one Member State after import of the goods into the EU, this legal landscape is prone to lead to frictions between Member States, double taxation or non-taxation.

Unilateral regulations by single Member States are a warning sign that the system is not working properly in this area and should not be ignored. To support trade, businesses must have an environment of legal certainty. They cannot be left guessing their VAT position or left having to VAT register in multiple countries for no evident reason.

Our opinion seeks to outline the issue and offer a resolution, which we hope will be considered favourably by the EU Commission. The suggested change to the Council Implementing Regulation (EU) No 282/2011 could be an effective and legally economical way of instating legal certainty for import chain transactions, thereby helping the development of the EU economy. Alternatively having clear guidance at a European Union level would be of assistance.

We invite you to read the Opinion Statement and remain available for any queries you may have.

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