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CFE Issues Opinion Statement Calling for a Temporal Pause of Pillar Two Extra-Territorial Rules

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CFE Tax Advisers Europe has issued an Opinion Statement calling for a temporary pause in the application of the extra-territorial rules contained in the EU Minimum Tax Directive, specifically the Income Inclusion Rule (IIR) and the Undertaxed Profits Rule (UTPR). CFE views such a pause as being necessary due to the stalled global implementation of the OECD's Pillar Two framework, with key jurisdictions such as the United States, China and India yet to introduce corresponding rules.

Uneven implementation of the Pillar Two framework will place EU-headquartered multinational groups at a structural disadvantage, exposing them to higher effective tax burdens and significant compliance complexity not shared by competitors in non-EU countries. CFE in the statement stresses that this imbalance undermines the competitiveness of the Single Market and the original intent of the Pillar Two reforms. It further warns of potential retaliatory measures from non-EU jurisdictions and contends that proposed interim solutions, such as a permanent UTPR safe harbour or recognition of the US GILTI regime as equivalent, are insufficient to address the structural distortions.

A temporary suspension of the IIR and UTPR would allow time for meaningful multilateral discussions with non-EU partners and the development of a more balanced and administratively workable system. The Opinion emphasises that such a pause would not affect the 15% minimum tax within the EU, as existing Qualified Domestic Minimum Top-Up Taxes (QDMTTs) would remain in place.

CFE urges the EU Commission and Council to use the legal mechanism provided in Article 32 of the Directive, which would allow Member States to reduce the applicable rates to zero for a limited period as a constructive step to preserve the integrity of the global minimum tax project while safeguarding EU competitiveness.

We invite you to read the full statement and remain available for any queries concerning the statement.

U.S. Doubles Steel & Aluminium Tariffs as OECD Flags Global Trade Slowdown

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On 3 June 2025, U.S. President Donald Trump announced a significant escalation in trade protection measures by doubling tariffs on imported steel and aluminium products from 25% to 50%. The move, framed as a national security imperative under Section 232 of the Trade Expansion Act, is aimed at curbing the influx of underpriced metals that continue to undermine U.S. industrial capacity.

The proclamation has further strained already tense trade relations with the European Union, which has warned that the measure could jeopardise ongoing dialogue and retaliatory restraint. While the EU seeks a diplomatic path forward, concerns are rising over trade diversion effects and increasing import pressure on European markets. These developments unfold amid broader global anxiety about tariff-driven slowdowns, with the World Bank and other international bodies cautioning against protectionist measures that could stifle global recovery.

In its latest Economic Outlook, published on the same day as the U.S. Proclamation, the OECD projects a cooling of global GDP growth through 2025, attributing much of the slowdown to lingering inflation, tight credit conditions, and rising barriers to international trade. The report underscores that policies like expanded tariffs threaten to deepen fragmentation in the global economy, particularly in industrial sectors where investment is already subdued. The OECD calls for a recommitment to open trade and coordinated policy to sustain recovery and avoid prolonged stagnation.

Notably, the U.S. proclamation exempts the United Kingdom under the newly signed U.S.-UK Economic Prosperity Deal, preserving the existing 25% tariff rate on UK steel and aluminium. However, this exemption is conditional: if the UK fails to uphold its side of the agreement, the higher tariffs could be reinstated.

EU Parliament FISC Workshop on Taxation of the Financial Sector

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On 3 June 2025, the European Parliament's Permanent Subcommittee on Tax Matters, FISC, held a workshop to examine the taxation of the EU financial sector. The session presented findings from a study entitled *"The Taxation of the EU's Financial Sector – Options and Experiences"*, authored by economists Atanas Pekanov and Margit Schratzenstaller of the Austrian Institute of Economic Research (WIFO).

The study maps the current landscape of financial sector taxes in the EU, including financial transaction taxes (FTTs), bank levies, windfall profit taxes, and the VAT exemption on financial services. It assesses the extent of fragmentation and incoherence across Member States, and provides recommendations to improve alignment with EU policy objectives such as the Capital Markets Union.

During the workshop, MEPs and the invited experts noted the complexity of the current framework and emphasised the practical challenges arising from a patchwork of national measures. It was observed that varying tax designs—especially regarding FTTs and bank levies—create compliance burdens and risks of double taxation for financial institutions operating cross-border. Participants highlighted the underpricing effect of the VAT exemption and its disproportionate impact on business users who cannot recover input VAT. The need to address these structural issues was linked to broader goals of financial market integration, digitalisation, and competitiveness. Several speakers also stressed that tax policy must evolve to reflect changes in the financial ecosystem, including the rise of cryptocurrency and algorithmic trading.

Participants agreed that a full-scale harmonisation of financial sector taxation is unlikely in the near term and that a step-by-step approach should be taken focusing initially on areas where agreement is more feasible, such as revisiting the VAT treatment of financial services or exploring a coordinated FTT model. The authors of the study suggested harmonisation for some taxes and improved coordination for others. MEPs also acknowledged the political sensitivity of aligning national tax policies but agreed that coherence, transparency, and regular evaluation should guide future reforms.

The workshop concluded with calls for the Commission to provide further analytical support and to consider the timing of legislative initiatives carefully, ensuring they are grounded in robust evidence.

OECD Updates Exchange of Information Documents

The OECD last week published three documents concerning the automatic exchange of information in tax matters. These publications include a consolidated version of the Common Reporting Standard (CRS) incorporating the 2022 amendments, and updated user guides for tax administrations for the CRS and Crypto-Asset Reporting Framework (CARF) Status Message XML Schemas. These updates reflect the evolving landscape of tax transparency and the inclusion of crypto-assets and digital money products within international information exchange frameworks.

The *Consolidated Text of the Common Reporting Standard (2025)* brings together the original 2014 standard and the amendments adopted in August 2022. The revised text expands the scope of the CRS to cover specific electronic money products and central bank digital currencies. It also clarifies the treatment of indirect investments in crypto-assets and strengthens due diligence and reporting obligations. Notably, a carve-out has been introduced for genuine non-profit organisations, and additional definitions and provisions relating to financial accounts and excluded accounts have been updated to align with recent financial developments.

The *CRS Status Message XML Schema: User Guide for Tax Administrations (Version 3.0)* provides tax administrations with practical guidance on the use of the revised XML Schema format, which supports the transmission of CRS-related information. The new version, applicable for exchanges from 1 January 2027, includes structured methods for competent authorities to notify each other of file-level or record-level errors in CRS data submissions. While reporting of file errors is mandatory to ensure operational integrity of the exchange system, the reporting of record-level errors remains optional but is recommended as a best effort practice.

The *Crypto-Asset Reporting Framework (CARF) Status Message XML Schema: User Guide for Tax Administrations* sets out how authorities should use the CARF XML Schema to identify and communicate errors found in information transmitted under the CARF. This includes file errors that prevent the use of transmitted data and record errors that may affect data quality but not usability. The schema can also be used for domestic communications with reporting crypto-asset service providers. First exchanges under the CARF are scheduled for September 2027, and the framework is designed to ensure transparency and cooperation in crypto-asset reporting between jurisdictions.

DG TAXUD's Annual Report on Taxation Event - 24 June 2025

On 24 June 2025, the European Commission's Directorate-General for Taxation and Customs Union will host a half-day hybrid event to launch the Annual Report on Taxation. The event will gather policymakers, tax experts, and academics to explore current developments in EU tax systems. This year's central theme, *"Fair and effective taxation: Strengthening compliance and progressivity"*, will frame the day's discussions, with insights drawn directly from the Annual Report's findings.

The event will feature two panel discussions, with the first panel to focus on compliance risk management, addressing strategies and tools for improving tax authority effectiveness and taxpayer compliance. The second panel will delve into the design of progressive tax systems that not only generate revenue but also ensure fairness and social equity. The morning will also feature brief report presentations and a closing address by Gerassimos Thomas, Director-General for Taxation and Customs Union. The programme promises to provide valuable perspectives on how EU fiscal policies can evolve to meet pressing economic and social challenges. Registration and further information is available here.

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