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Trade Tensions & Tax: EU Navigates US Tariffs and Budget Pressures

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The European Union has temporarily paused its planned retaliatory tariffs on €21 billion worth of US goods in response to President Donald Trump's threat to impose 30% tariffs on EU and Mexican exports from 1 August. European Commission President Ursula von der Leyen said on Sunday that the EU would delay the enforcement of its counter-tariffs—targeting items like chicken, motorcycles, and clothing—that were due to take effect on 15 July. Von der Leyen reaffirmed the EU's preference for a negotiated solution, stating that the bloc would use the brief window before August to pursue diplomatic engagement with the US. Trump's tariff announcement has been interpreted by EU officials as a pressure tactic rather than a confirmed policy, with many expressing doubt that such steep levies will actually be enacted due to likely backlash from American investors.

At the same time, the European Commission is moving forward with proposals to establish new, independent sources of revenue for the EU budget. A key component is the introduction of a "corporate resource" levy targeting companies with net turnover exceeding €50 million, irrespective of their headquarters' location, reportedly due to be unveiled in the coming week. This measure, still in draft form, includes a tiered bracket system to ensure larger companies contribute proportionally more. The Commission's proposal, set to be unveiled formally alongside the next seven-year EU budget plan, signals a push for deeper fiscal integration at a time of heightened geopolitical and economic stress.

Other revenue-generating mechanisms under consideration include levies on tobacco, non-recycled e-waste, and long-distance e-commerce packages—particularly affecting imports from China. These proposals aim to address the mounting financial demands on the EU budget, including defence spending and debt servicing.

However, these initiatives face strong resistance from several net contributor states such as Germany, the Netherlands, and Sweden, and may also provoke backlash from the corporate sector, which is already struggling with high energy prices and sluggish growth.

ECOFIN Focuses on Danish Presidency Priorities & Fiscal Resilience

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At the 8 July ECOFIN Council meeting, the Danish Presidency outlined its economic and financial work programme, with tax policy featuring prominently among its competitiveness and simplification priorities. The Presidency aims to advance negotiations on the revision of the Energy Taxation Directive, bringing tax policy in line with EU energy and climate goals. It will also prioritise initiatives to counter tax evasion and avoidance, notably through updates to the EU list of non-cooperative jurisdictions and improvements to the Code of Conduct Group's toolbox. Strengthening administrative cooperation and governance in the EU's tax framework remains a core objective, with a focus on simplifying rules and procedures around information exchange between tax authorities.

A key Danish priority is tax simplification, both to reduce burdens on businesses and to improve legal clarity. This will include efforts to enhance Member State involvement in streamlining tax rules and to support the EU's broader competitiveness strategy. The Presidency also expressed readiness to support a revision of the Tobacco Taxation Directive, if tabled, and will oversee the implementation of the Carbon Border Adjustment Mechanism (CBAM), aiming to ensure it delivers on climate ambitions while protecting EU industry from carbon leakage.

Outside the direct tax agenda, ministers held initial discussions on the Savings and Investment Union, including proposals to revise the EU's securitisation framework, which was broadly welcomed as a step towards improving capital markets and mobilising investment. Progress was also made on the digital euro legislative package, with a shared goal of reaching agreement by year-end. Ministers emphasised that any digital euro should complement, not replace, cash, and underlined the importance of privacy, offline functionality, and a fair compensation model for intermediaries.

The Council also adopted the 2025 European Semester country-specific recommendations, which this year place greater emphasis on defence spending and economic security. Meanwhile, Bulgaria received final approval to join the euro area from January 2026, and a new excessive deficit procedure was opened for Austria. Romania's fiscal path was also revised. In a related move, 15 Member States were granted temporary flexibility under the Stability and Growth Pact to allow increased defence investment while preserving fiscal sustainability.

OECD Publishes 2024 Tax & Development Report

The OECD has published its 2024 Tax and Development Report, outlining key achievements and future priorities in supporting developing countries to strengthen their tax systems. The report highlights the OECD's work in aiding partner countries tackle tax evasion and avoidance, boost domestic revenue mobilisation, and advance reforms in tax policy and administration. Through its tax and development programme, the OECD facilitates participation in international tax initiatives such as the Inclusive Framework on BEPS and the Global Forum on Transparency and Exchange of Information for Tax Purposes, while also delivering tailored technical assistance and policy-relevant data.

According to the report, 2024 marked a record year for the launch of new programmes under the OECD/UNDP Tax Inspectors Without Borders initiative, alongside expanded support in tax transparency and exchange of information. The OECD also continued its role in providing internationally comparable data and targeted capacity building across a broad range of tax areas. These efforts reflect increasing engagement from developing countries in global tax matters and underscore the OECD's commitment to inclusive international cooperation.

The publication also summarises the findings of a recently concluded independent evaluation of the OECD's tax and development work, including its initial responses to key recommendations. Emphasis is placed on strengthening country ownership, enhancing collaboration with other stakeholders, and improving the visibility and impact of its programmes. Looking ahead, the OECD sets out priorities for 2025, with a continued focus on inclusive participation, technical support, and the delivery of sustainable tax system reforms.

New Regulation Implements DAC9 Exchange Mechanism for Top-Up Tax Reporting

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The European Commission has adopted an Implementing Regulation to facilitate the automatic exchange of top-up tax information returns between EU Member

States, under the scope of DAC9. The Regulation establishes a standardised IT schema for data exchange, aligning with the OECD's framework to ensure full interoperability. This technical alignment is intended to streamline the reporting process and reduce the administrative burden on tax authorities and businesses.

The primary aim of the Regulation is to support the implementation of the EU's Pillar 2 Directive, which introduces a global minimum level of taxation for large multinational groups. By establishing a shared digital infrastructure, the Regulation enables Member States to automatically exchange relevant tax information, helping ensure taxpayer compliance and strengthening the EU's capacity to enforce the new rules. The Commission has framed this as part of a broader effort to ensure the seamless implementation of the Pillar 2 framework across the EU.

EU Commission Launches Consultation on 28th Regime to Support Business Growth in the EU

The European Commission has launched a public consultation on the proposed 28th regime, a legislative initiative aimed at enhancing the EU's competitiveness and supporting business growth within the Single Market. The regime would offer a voluntary set of rules, including a harmonised EU corporate legal framework, designed to help companies—particularly start-ups, scale-ups and innovative enterprises—overcome regulatory barriers when establishing and operating cross-border. Key features include a 'digital by default' approach to streamline company formation and operation.

The Commission is seeking feedback from businesses and stakeholders to better understand the practical challenges faced when engaging in cross-border activity and to shape a legal framework that facilitates expansion and innovation within the EU. The consultation will inform not only company law but also potential future legislative proposals in adjacent areas such as labour and tax law.

The consultation follows on from an in-depth report published last week, on hurdles that companies, especially innovative start-ups, face in the EU, justifying the need for a 28th Regime. The report, commissioned by the European Parliament's Committee on Legal Affairs (JURI), identifies fragmentation of national legal systems, administrative complexity, and divergent rules on taxation and employment as major barriers to cross-border business activity. It concludes that a voluntary 28th regime with harmonised EU rules—particularly those facilitating digital registration, streamlined compliance, and legal certainty—could significantly reduce burdens and enable faster growth, especially for smaller companies operating within the Single Market.

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