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ECOFIN Ministers Advance EU Customs Reform & Review Tax Related Progress Under Polish Presidency

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At the 20 June 2025 meeting of the ECOFIN Council, EU Finance Ministers reviewed progress across several taxation files, formally approving its biannual report on tax issues, alongside Conclusions on the work of the Code of Conduct Group for Business Taxation.

Key legislative achievements under the Polish Presidency included:

- The formal adoption of the "VAT in the Digital Age" package, which introduces digital reporting requirements, updated VAT rules for the platform economy, and a single VAT registration.
- The Council agreed a general approach on incentivising the use of the Import One-Stop Shop (IOSS) by removing the €150 threshold for distance sales and extending scope to customs warehouse deliveries, aiming to simplify VAT collection and align with ongoing customs reform initiatives.
- The Council adopted a Directive amending the rules on administrative cooperation in the field of taxation (DAC9), implementing obligations for filing top-up tax information under the Pillar Two global minimum tax framework.
- Political agreement was reached on the replacement of the paper VAT exemption certificate with an electronic version, with a transitional phase foreseen.

At the meeting, the Council also approved the Code of Conduct Group (Business Taxation) report on its ongoing efforts to combat harmful tax practices and maintain the EU list of non-cooperative jurisdictions, which included updates to transparency criteria and ongoing monitoring of economic substance requirements. Work will continue under the Danish Presidency, with further developments expected on beneficial ownership standards and geographic scope criteria.

Another focus of the ECOFIN meeting was the EU's customs reform package, where Ministers exchanged views on the Presidency's update and acknowledged the strategic importance of a modernised Customs Union protecting the EU's Single Market amid growing global complexity. Broad political support was expressed for reaching a timely agreement on the Council's position. The proposed reform, first tabled by the Commission in May 2023, aims to enhance the EU's capacity to intercept non-compliant goods, streamline the collection of customs duties, and strengthen controls—while minimising the administrative burden on businesses and authorities. The Polish Presidency will now continue work towards securing a negotiating mandate, with a final Council position appearing within reach.

In the area of energy taxation, the Council took note of a progress report on the revision of the Energy Taxation Directive (ETD), part of the 'Fit for 55' package. Discussions under the Polish Presidency focused on maintaining industrial competitiveness while supporting climate goals. Progress included clarifications on exemptions for small producers and the scope of 'single use', adjustments to indexation provisions, and provisions allowing continued support for energy-intensive sectors.

OECD Report on Global Progress in the Digital Transformation of Tax Administration

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The OECD has published a report entitled *"Tax Administration Digitalisation and Digital Transformation Initiatives"*, examining how tax administrations are advancing digital reform. The report sets out that from the 54 jurisdictions reviewed, most now rely on digital identity systems to deliver secure online services and support machine-to-machine data exchanges. The widespread use of application programming interfaces, often made publicly available, enables tax processes to be integrated into third-party and taxpayer systems, streamlining compliance and reducing administrative burdens.

A growing number of administrations receive data directly from taxpayer systems and third parties, supporting the pre-filling of returns—particularly for personal income tax, and increasingly for VAT and corporate tax. The report also demonstrates that artificial intelligence is being used by over 70% of administrations, primarily to detect tax fraud, assess risk, and power virtual assistants. Many have also implemented safeguards and ethical frameworks to manage AI use responsibly.

Internally, digital transformation is prompting a shift in organisational culture, with tax administrations investing in new skills and digital strategies. Nearly 80% of administrations now have a formal transformation strategy, often aligned with broader government digital agendas. While progress varies, the report highlights a common direction: towards integrated, data-driven and taxpayer-centric tax systems.

EU Tax Infringement Proceedings: Key Takeaways from the Commission's July Package

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In its July infringement package, the European Commission issued a letter of formal notice to Sweden, highlighting concerns over its withholding regime on preliminary income tax for foreign contractors. Under current Swedish rules, clients must withhold a flat 30 % tax on payments to contractors from other EU/EEA countries unless they hold F-tax approval. The Commission argues that this imposition may infringe the freedom to provide services, as it applies even when the foreign contractor lacks a Swedish permanent establishment.

Simultaneously, Hungary has been called upon to amend its corporate income tax legislation to align with the EU's Anti-Tax Avoidance Directive (ATAD). The Commission asserts that Hungary's definitions of Controlled Foreign Companies (CFCs) and "associated enterprises" are inconsistent with ATAD's requirements—particularly in failing to capture subsidiaries under common control.

Belgium faces dual action. First, it received a formal notice under Article 260 TFEU for non-compliance with the CJEU judgment in Case C-60/21, which clarified that non-resident workers paying under 75 % of their worldwide income in Belgium must be allowed to deduct alimony payments. Belgium's law continues to restrict such deductions, a move the Commission views as penalising non-resident taxpayers. Second, the Commission issued a reasoned opinion demanding removal of so-called discriminatory conditions that deny equal access for foreign financial institutions to Belgium's tax-exempt savings scheme—once again citing the freedom to provide services as enshrined in the TFEU.

Finally, the Commission urged Belgium, Greece, Spain, Cyprus, Poland and Portugal to complete transposition of tax transparency rules—part of the EU's broader push for tax transparency. At the same time, it closed an infringement case against

Slovenia, recognising that it has now fully implemented the relevant transparency legislation. These Member States have two months to respond; failure to do so could escalate proceedings.

EU Council & Parliament Agree on CBAM Simplification to Ease Compliance Burdens

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The Council of the EU and the European Parliament have reached a provisional agreement to simplify and strengthen the EU's Carbon Border Adjustment Mechanism (CBAM). The simplification proposal forms part of the broader 'Omnibus I' legislative package aimed at reducing regulatory and compliance burdens while preserving the climate ambitions of the existing CBAM framework. Notably, around 99% of embedded emissions from imported CBAM goods will remain within the scope of the regulation.

A central feature of the agreement is the introduction of a broader 'de minimis' exemption. Importers bringing in no more than 50 tonnes of CBAM goods per year will be exempt from CBAM obligations, replacing the current exemption limited to goods of negligible value. This move is expected to relieve small businesses and individuals from compliance requirements. Additionally, importers will be able to continue trading CBAM goods at the start of 2026 while their CBAM registration is pending, helping avoid market disruption.

The revised framework also includes several operational simplifications for those above the exemption threshold. These relate to the authorisation process, data collection, emissions calculation and verification, financial liability assessment during the import year, and crediting of carbon prices paid in third countries. Further clarity has been provided around the penalties regime, the role of indirect customs representatives, and funding arrangements for the central EU platform that will manage CBAM certificates.

This provisional agreement must now be formally endorsed by both the Council and the European Parliament, with adoption expected by September 2025.

Improving EU Tax Reporting: EESC Recommends Harmonisation, Advance Rulings & Digital Tools

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The European Economic and Social Committee (EESC) has issued an own-initiative opinion assessing the tax reporting obligations within the EU, with a strong emphasis on simplifying the existing framework and enhancing administrative efficiency. The

EESC supports the European Commission's objective to reduce the overall administrative burden—by 25%, and 35% for SMEs—by eliminating outdated rules and streamlining remaining obligations. The opinion advocates harmonisation of inconsistent legal terms in areas such as VAT, customs, and excise duties, and recommends that all legislative proposals undergo thorough impact assessments, including competitiveness checks and quantified assessments of the administrative load imposed.

To support uniform interpretation of tax rules across the EU, the EESC proposes the introduction of a system of advance rulings at the EU level, to be backed by the European Court of Justice where necessary. Additionally, it suggests the reinstatement of the Joint Transfer Pricing Forum as a dedicated expert platform and calls for new digital portals to assist individuals in managing cross-border tax compliance, particularly for teleworkers and those reclaiming dividend withholding tax across Member States.

The opinion also highlights the need for coherent application and use of tax data, pushing for better use of IT solutions and improved administrative cooperation among Member States. The EESC calls for enhanced joint audits and real-time digital reporting channels to reduce duplication and inefficiency, noting the potential of DAC7 and a centralised crypto-assets database. Standardisation and digital transformation across tax administrations are seen as essential to achieving the Commission's objectives of reducing red tape and fostering competitiveness.

Lastly, the EESC draws attention to the risks of overlapping or redundant tax rules—particularly between the Anti-Tax Avoidance Directives (ATAD) and OECD's Pillar 2—and calls for a review of existing anti-avoidance provisions to avoid unnecessary complexity. It also stresses that data exchange among tax authorities must remain compliant with GDPR and uphold the rights of taxpayers.

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