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Germany Seeks End of Unanimity in EU Tax and Foreign Policy

German Chancellor Olaf Scholz called for an end to the existing EU rules on tax and foreign policy, which at present require unanimous decision of all EU Member states. In addition to tax policy, a move to qualified majority voting (QMV) would also change rules on EU admitting new Member states such as Ukraine and the Western Balkans, which are currently in the EU membership queue.

Scholz stressed Germany's commitment to the enlargement of the EU with new Member states, stressing that the countries of the Western Balkans, Ukraine, and eventually Moldova and Georgia should join the EU. "In this expanded Union, the differences between the member states will grow as far as political interests, economic clout and social security systems are concerned. Where unanimity is required today, the risk of an individual country using its veto and preventing all the others from forging ahead increases with each additional member state. I have therefore proposed to the EU a gradual transition to majority voting in common foreign policy, but also in other areas, such as tax policy – knowing full well that this would also have repercussions for Germany," the Chancellor added. Germany's Chancellor has previously also called on the EU to reform, suggesting that "Brussels must change first" to enable functioning of an enlarged EU.

Following enactment of the Lisbon Treaty, QMV became the regular way of decision-making in areas of EU competence with certain exceptions, notably foreign and tax policy.

OECD's Tax Director Suggests Pillar 1 Discussions On-Track

The OECD's new Director of Tax Policy and Administration has suggested the Inclusive Framework and the OECD Secretariat are on-track for completion of the Pillar 1 multilateral instrument, which aims to reallocate a portion of the large multinational companies' profits to the market jurisdictions. Ms Corwin reportedly said she was feeling confident the multilateral treaty text would be brought to the IF delegates by the end of July, with transitionary elements for existing national digital services taxes (DSTs) should the work progress sufficiently.

Pillar One, which was agreed by the members of the Inclusive Framework in 2021, has yet to be translated into a specific proposal and then adopted by governments. The French Finance Minister Bruno Le Maire recently estimated the chances of an agreement as 'slim' given the opposition by the United States, Saudi Arabia and India. Saudi Arabia in particular was concerned about exemptions related to the 'extractive industry', whereas India's reservations had mainly been confined to the tax capacity building mechanisms implementation issues in developing countries.

France called on the EU to proceed with the EU Digital Tax should the negotiations at EU level fail.

Save the Date: CFE, ICAEW & PwC Event "*A Gender Equal Tax System in Europe: Reflections for a New Agenda"* - 4 July 2023

On 4 July 2023 p.m., CFE Tax Advisers Europe, the ICAEW Women in EU Finance Network and PwC will co-host a panel discussion at the European Parliament on the topic of *"A Gender Equal Tax System in Europe: Reflections for a New Agenda"*.

Gender equality in fiscal affairs is a matter of fairness, well-being and growth. While the EU has taken steps to include a gender perspective in all stages of policy design significant challenges remain – including when it comes to tax. The structure and administration of tax systems often still have different impacts on gender.

As the EU starts to look ahead towards a new legislative term, what would it take to establish a truly inclusive tax system by 2030? What needs to be done to ensure that future changes to tax systems help drive gender equality as well as responding to Europe's green, digital and growth ambitions? Speakers will offer views and reflections on a pathway towards a more gender equal tax system by 2030, and address questions such as: what are the key features of tax system designed to help reduce gender inequality and what is lacking today; what do policymakers and tax administrations need to do to in the next EU legislative period to build a tax system that is gender equal, green, digital and competitive; and, what lessons can be learnt from international best practice.

Further details concerning speakers and registration will be made available in due course.

European Commission BEFIT Summary Report

The European Commission has published a summary report on the public consultation on BEFIT, "Business in Europe: Framework for Income Taxation – BEFIT". The consultation was open in the period 13 October 2022 - 26 January 2023 and the Commission received responses from citizens, business, professional and business groups. Notably, on the problem definition the report notes: "50 out of 77 respondents agree or strongly agree that the current situation with 27 different national corporate tax systems gives rise to problems in the Single Market. Respondents who disagree or strongly disagree with the problem (7 out 77) come from the field of business/ professional associations and companies. They consider the existing regulation sufficient and state that businesses around Europe are already used to the current system. Moreover, they underline that BEFIT could add complexity, costs and cause additional disputes."

Regarding the scope of BEFIT, and the necessity for the EU action to include a threshold and the possibility to opt in for those not in scope, a majority of survey respondents consider it as very effective (22/77) or effective (19/77) to have a threshold for mandatory application with a possibility for groups/companies (including SMEs) below the threshold to opt in (in total 53%).

Most of the survey respondents believe that for calculating the tax base making limited adjustments to a company's financial accounts is effective or very effective (almost 60%) compared to the possibility of putting a comprehensive set of corporate tax rules in place (almost 25%), the European Commission summary report notes.

EU Ambassadors Endorse Crypto-Assets Reporting Agreement

Ambassadors of EU Member states accredited in Brussels have unanimously supported the text of the EU Directive on crypto-assets reporting (DAC8), which largely follows the CARF framework, as agreed at OECD level. EU Member states reached the agreement on the directive last week, with general approach expected to be agreed by ministers at ECOFIN Council tomorrow's meeting - 16 May 2023. This agreement amends the EU Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC). Under EU law, in a special legislative procedure, the Council must consult the

European Parliament and the European Economic and Social Committee. The ECON Parliamentary Committee vote is scheduled for 30 May 2023, with plenary vote in the European Parliament now planned for 10 July 2023.

More detail is available at the European Parliament briefings section.

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