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EU Parliament Hearing on Empowering Tax Authorities

On 25 April the European Parliament's Permanent Subcommittee on Tax Matters held a hearing on the topic of *"The Work of National Tax Authorities: Resources, Strategies, Cooperation"*. At the hearing, speakers from Portugal's Tax and Customs Authority, the Union of Finance Personnel in Europe, the Intra-European Organisation of Tax Administrations, and Lithuania's Tax Inspectorate Trade Union presented views to FISC on how EU rules on cooperation between tax administrations were operating in practice, and means to improve the digitalisation of tax administration.

Questions were posed by MEPs to the speakers concerning how tax authorities recruit to deal with issues posed by tax administration digitalisation, legislative focus for cooperation between tax administration and the role for the EU and the Commission concerning administrative cooperation.

The FISC hearing was recorded and can be replayed here.

OECD Publishes Taxing Wages 2023 Report

The OECD has published the 2023 Taxing Wages Report, its annual publication providing details of taxes paid on wages in the OECD countries.

The report sets out that: *Taxes on labour increased in 2022 as rising nominal wages pushed workers into higher tax brackets and reduced their eligibility for tax credits and cash benefits, according to a new OECD report. [Taxing Wages 2023] also shows that while nominal wages increased, high inflation across the OECD caused wages to decline in real terms, resulting in a double blow for workers. With inflation reaching its highest level in over 30 years in 2022, the new OECD analysis shows effective tax rates rose in a majority of OECD countries across a range of income levels and household types, with a significant increase for families with children, particularly at lower income levels.*

Different approaches OECD countries take to indexing tax and benefit systems to inflation reveal that 17 OECD countries automatically adjust personal income tax systems in line with inflation, while the remaining 21 do so on a discretionary basis. Social security contributions and cash benefits are automatically adjusted in 21 and 19 countries, respectively. The report highlights that low-income households with children are most vulnerable to increases in their effective tax rates when tax and benefit systems are not fully adjusted for inflation.

The report can be accessed here.

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, 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 Ombudsman's Annual Report 2022

The European Ombudsman has now published the 2022 Annual Report summarising the actions taken by the Ombudsman over the past 12 months. Notably, in the report the Ombudsman, Emily O’Reilly, discusses complaints made in relation to the length of time that the EU institutions take to deal with access to document requests, notwithstanding the set timelines that exist concerning the process. The report sets out that the Ombudsman launched two inquiries to look at the details of how such requests are treated.

In addition, the report addresses the ethical issues surrounding "revolving doors" and the Ombudsman inquiry into Commission employee movement to the private sector. The report details that the Ombudsman asked the Commission to *"forbid jobs temporarily if they pose risks that cannot be offset by restrictions or if restrictions cannot be credibly monitored and enforced. The Commission was* *also asked to publish decisions on staff members' new jobs faster to allow for timely public scrutiny. In response, the Commission said that, for cases where there is a reputational risk for the Commission, it would ask former staff to report back on how they are complying with any restrictions, such as on lobbying former colleagues. It also said it would publish its annual overview of senior staff members requesting permission to move to new employment, and its assessment of these requests, faster than previously. In addition, staff on unpaid leave are now forbidden from taking employment in areas where there is a risk of conflict of interest. The Ombudsman welcomed the improvements and said she would continue to monitor the Commission's handling of the issue."*

EU Commission April Infringement Package

In its April infringement package, the European Commission has referred Belgium to the Court of Justice of the European Union concerning its transposition of the CFC rules under the Anti-Tax Avoidance Directive (Directive (EU) 2016/1164).

Under the Anti-Tax Avoidance Directive, a Member State where a parent company of a MNE is located is able to tax profits of a 'controlled foreign company' in another Member State when the tax paid by the controlled foreign company is less than half of what would be paid in the Member State of the parent company (the CFC rule). The company should be granted a tax credit for all taxes that it has paid abroad. However, contrary to the Directive, Belgian law does not allow a taxpayer to deduct from its tax liability the tax already paid by a controlled foreign company in the state of tax residence.

The Commission initially issued a letter of formal notice on 2 July 2020, followed by a reasoned opinion on 1 December 2021, in which it requested that Belgium amend their legislation within two months. The Commission did not consider that Belgium's reply to the reasoned opinion was satisfactory, and has as such now decided to refer Belgium to the Court of Justice of the European Union.

In addition, the Commission issued a reasoned opinion to Spain concerning the transposition of new EU duty rules on the harmonisation of excise duties on alcohol and alcoholic beverages relating to small and artisanal producers.

Spain has yet to transpose the Directive in respect to the EU-wide certification system for small and artisan alcohol producers which facilitates their access to low excise duty rates across the Union. Member States were required to transpose this Directive by 31 December 2021.

Spain will have two months to comply with the transposition obligation and notify the Commission. Otherwise, the Commission may decide to refer the case to the Court of Justice of the European Union.

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