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ECOFIN: Swedish Presidency Priorities

At the first meeting of the Economic and Financial Affairs Council for 2023, Finance Ministers discussed the priorities for the [Swedish Presidency](#) of the Council of the European Union from 1 January until 30 June 2023. The Swedish Presidency priorities as concerns taxation are as follows:

A review of the Energy Taxation Directive is under way, as the current directive is outdated and is not coordinated with other EU measures. The Presidency will continue discussions in the Council. The Presidency will also continue the work on the proposal for new VAT rules for the digital age.

In the area of direct taxation, priority will be given to measures aiming to prevent tax evasion, tax avoidance, aggressive tax planning and harmful tax competition, such as updating the EU list of non-cooperative jurisdictions. In addition, the Presidency will work to ensure greater tax transparency and to reinforce the exchange of relevant information within the EU. The Presidency stands ready to advance the work on further strengthening EU administrative cooperation on taxation.

In the financial area, the Presidency will seek to continue the fight against international crime by advancing the efforts to tackle money laundering and the financing of terrorism. This will involve advancing the negotiations on establishing a new EU body in this area and on the 'rulebook'.

Ministers also discussed the economic and financial impact of Russia's aggression against Ukraine and the Recovery and Resilience Facility.

EU Consultation on Administrative Cooperation in VAT

The European Commission will shortly launch a public consultation on amendments to legislation on administrative cooperation in the area of VAT.

The European Commission's public consultation webpage sets out that *"According to the latest estimates, in 2020 the EU as a whole lost €93 billion in VAT revenue due to fraud and other economic contingencies. Administrative cooperation on VAT among EU countries is key to reducing this loss. The Commission therefore plans to amend existing EU rules on administrative cooperation and combating fraud in this field. The aim is to strengthen the tools tax administrations have at their disposal."*

The consultation will take place in Q1 of 2023 and will be open for input via the [Have Your Say](#) website.

EU Parliament's FISC: Public Hearing on BEFIT

The European Parliament's Permanent Subcommittee on Tax Matters, FISC, will this week meet on 25 January 2023. At the [meeting](#), MEPs who make up the members of FISC will hold a public hearing on the topic of "What should the BEFIT proposal look like?". The hearing can be watched via live streaming [here](#).

Also as part of the meeting, MEPs will hold a coordinators' meeting on the tax implications of the US Inflation Reduction Act, in the presence of Mr Gerassimos Thomas, Director General, Directorate-General for Taxation and Customs Union (TAXUD), European Commission.

Updated OECD Pillar 1 & 2 Analysis

Last week, the OECD published an [update](#) on the economic impact assessment of the Two-Pillar Solution, based on updated analysis using data and recently agreed design features of the two-pillar solution which was not accounted for in previous studies/analysis.

The new analysis anticipates annual global tax revenue increases of around USD 220 billion due to the proposed global minimum tax from Pillar 2 implementation, a significant increase from prior estimates. Pillar One is expected to result in around USD 200 billion in profit reallocation to market jurisdictions on an annual basis, an increase in global tax revenue of around 13-36 USD billion. Low and middle-income countries are expected to benefit from the most significant increases in corporate income tax revenue.

OECD Secretary-General Mathias Cormann said of the new analysis: *“The international community has made significant progress towards the implementation of these reforms, which are designed to make our international tax arrangements fairer and work better in a digitalised, globalised world economy. This new economic impact analysis again underlines the importance of a swift, efficient and widespread implementation of these reforms to ensure these significant potential revenue gains can be realised. Widespread implementation will also help stabilise the international tax system, enhance tax certainty and avert the proliferation of unilateral digital services taxes and associated tax and trade disputes, which would be bad for the global economy and economies around the world.”*

EU Semester Reports 2023

At its [meeting](#) on 17 January 2023, Finance Ministers at the Economic and Financial Affairs Council *“initiated the annual European Semester process for the monitoring of the member states’ economic, employment and fiscal policies. It adopted conclusions on the 2023 alert mechanism report, as well as conclusions*

on the 2023 annual sustainable growth survey. It approved the 2023 recommendation on the economic policy of the euro area. The latter will be submitted to the European Council for endorsement at its meeting in March before it can be adopted by the Council at one of its upcoming Ecofin meetings."

Further information on the 2023 Semester Reports is available [here](#).

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