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UK Reportedly Set to Abandon Digital Tax

The UK Treasury is reportedly planning to abandon the digital services tax which was introduced this year in order to further trade negotiations for a post-Brexit free trade agreement with the United States.

The UK's digital tax applies to businesses making search engines, social media platforms or online marketplaces available to UK users, including any associated online advertising of that business, which have a global annual turnover over £500 million pounds and over £25 million pounds of turnover attributable to revenue derived from UK users. The tax will apply at a rate of 2% to revenue over £25 million pounds.

In late 2019, US President Trump's administration reportedly advised the UK government at multiple levels that no free trade deal will be agreed should the tax be passed into law. However, the UK government has reportedly denied the tax would be abandoned in order to secure a trade deal, and instead pointed to international digital tax negotiations as the reason the tax may be abandoned, with a spokesperson from the Treasury stating *"We've been clear it's a temporary tax that will be removed once an appropriate global solution is in place – and we continue to work with our international partners to reach that goal."*

Netherlands Progress Exit Tax on Multinationals

The Netherlands' Council of State is expected to deliver advice in the coming month concerning the legality of a proposed exit tax on multinational entities which relocate to low tax jurisdictions. If the advice is positive, the proposed tax is expected to gain political support, notwithstanding significant concerns for its impact on foreign investment.

The tax could potentially bring in revenue in the order of billions, and would target multinational countries with annual revenues of 750 million Euro and above. The British-Dutch multinational company Unilever has stated that if the tax is passed it would abandon plans to relocate solely to the UK, as it estimates it would be hit with an 11 billion Euro penalty.

Save the Date: CFE Professional Affairs Webinar Conference on Taxpayers Rights

Save the date for the 13th European Webinar Conference on Tax Advisers' Professional Affairs, to be held virtually on Friday, 20 November 2020, on the topic of "Taxpayer Rights and Legal Certainty in the Digital Era".

The webinar conference will welcome tax experts and academics who will examine global developments in the protection of taxpayers' rights and the impact and implications of technology on taxpayers' rights. The conference will also review the recently published IBFD 2019 Yearbook on Taxpayers' Rights, the most recent compilation of information by the Observatory on the Protection of Taxpayers' Rights.

More details about the programme, line-up of speakers and registration will be available in due course.

Shipping Industry Warns Against EU Emission Trading System Extension

The shipping industry is warning against EU plans to extend the Emissions Trading System to shipping, stating it could incite trade wars and undermine the authority of the International Maritime Organisation in imposing emissions limits. Extending the EU Emissions Trading System to shipping would raise over 10 billion Euro per year. Non-EU countries are being urged to vocally oppose the extension of the scheme.

In July, the EU launched consultations on an EU Carbon Border Adjustment Mechanism and changes to the Energy Taxation Directive. The Carbon Border Adjustment Mechanism will aim to prevent carbon leakage caused by offshore production and carbon intensive imports, to ensure import prices reflect their carbon footprint, in order to achieve EU climate goals. Following on from an inception impact assessment published in March as part of its work to progress the EU Green Deal, the consultation will run until 28 October. Input can be provided via the European Commission's Have Your Say webpage.

The consultation concerning changes to the Energy Taxation Directive follows from an inception impact assessment published earlier in the year which set out that a legislative proposal is planned for June 2021, which will aim to align the *"taxation of energy products and electricity with EU energy and climate policies"* and to update *"the scope and structure of rates as well as …use of optional tax exemptions and reductions by Member States".* The consultation will run until 14 October and input can be provided via the European Commission's Have Your Say webpage.

CFE's EU Tax Policy Report - Semester I 2020

The COVID-19 pandemic conditions that developed in the first six months of 2020 led to extreme public health and economic challenges, shifting the focus of the wider community into contending the impact of COVID-19.

The first semester of 2020 has therefore proved to be extraordinary by any standard. In the EU, Croatia, who held its first ever Presidency of the Council of the European Union from 1 January 2020 to 30 June, was successful in managing to achieve progress on multiple taxation files despite the extreme challenges posed by the COVID-19 outbreak.

Detailing those developments, CFE Tax Advisers Europe has published its signature EU Tax Policy Report for the first semester of 2020, covering the period of January to June 2020. The report contains analysis of significant primary law and tax policy developments at both EU and international level and an overview of selected case-law of the Court of Justice and relevant European Commission decisions.

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