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Croatian Presidency Sets Out Policy Priorities

Croatia, who hold the Presidency of the Council of the European Union from 1 January 2020 to 30 June, have published documents setting out its Programme and Priorities for its Presidency period. It is Croatia's first time holding the Presidency of the Council of the EU.

The programme focuses on four main concepts for Europe, namely: a Europe that develops, a Europe that connect, a Europe that protects and an influential Europe. In relation to specific taxation priorities, the Presidency Programme sets out Croatia's aims that *"current international tax rules should be adapted to globalisation and digitalisation in order to ensure fair and just taxation where value is created. Additionally, the tax system should fight activities and introduce higher taxes on products whose adverse effects significantly contribute to climate change. A modern tax system should be based on transparent, efficient and sustainable taxation procedures that ensure legal certainty for all stakeholders."*

Additionally, Croatia is committed to bolstering customs administration on the EU external borders, and initiating work on a "EU Single Window" for customs, to facilitate and simplify customs formalities, and to achieve its goal of fighting fraud and improving the safety of European citizens.

US & France Attempt to Reach Digital Tax Deal

The US and France are reportedly attempting to negotiate a means to resolve the trade dispute which has arisen following the recent publication of a report of the Office of the United States Trade Representative into the French digital services tax. The report recommends the imposition of tariffs on multiple French products imported into the US.

Following the French digital tax being signed into law on 24 July 2019, which imposes a 3% digital services tax on resident and non-resident companies with a global turnover above 750 million Euros, and a national turnover above 25 million Euros, US President Donald Trump tweeted that there would be "substantial reciprocal action" taken by the US concerning the digital tax.

French finance minister Bruno Le Maire stated that he and US Treasury Secretary, Steven Mnuchin had *"agreed to redouble the effort in the coming days to find a compromise on digital tax in the framework of the OECD",* however also warned that France would react were the US to impose the threatened tariffs.

3. OECD Publish Country-by-Country Reporting Guidance

As a follow-up to BEPS Action 13, the OECD/G20 Inclusive Framework on BEPS has released additional interpretative guidance on the implementation and operation of Country-by-Country Reporting (CbCR).

The new guidance is intended to provide improved tax certainty for tax administrations and MNEs, and addresses automatic exchange concerning local filings of Country-by-Country reports.

4. European Economic & Social Committee Recommend Use of Tax Policy to Achieve Sustainable Development Goals

In December, the European Economic & Social Committee published an opinion concerning potential means of achieving Sustainable Development Goals by use of investment and taxation policy methods. Rapporteur for the opinion, Krister Andersson, noted that *"taxation policies determine the economic environment in which investment, employment and innovation in businesses take place and they provide governments with revenues for financing public spending. These policies are hence fundamental for achieving the Sustainable Developments Goals and they must be made fit for purpose."*

Notably, the opinion sets out the EESC's view that the use of tax policies concerning climate change would help achieve many sustainable development goals. The Committee further recommends that the EU join the Global Forum on Tax to engage more widely in debate concerning solutions for corporate taxation in the digital economy that can encourage growth and cross-border trade.

5. OECD Release Tax Administration Assessment Models

The OECD has made available two new assessment models for tax administrations, the Tax Debt Management Model and the Tax Compliance Burden Maturity Model.

Over 820 Billion Euro is outstanding in collectible debt between the 53 members of the Forum on Tax Administration. The Tax Debt Management Model has been designed to assist administrations assess performance and encourage positive reform. The Tax Compliance Burden Maturity Model aims to identify burdens which may discourage or prevent compliance and negatively impact tax morale. Jim Harra, First Permanent Secretary and Chief Executive of HM Revenue and Customs, who worked on developing the model noted that "*Understanding and addressing burdens is not straightforward and depends on a number of elements, including a solid strategy, a culture of minimising burdens and the confidence and expertise to engage with policy makers."*

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The selection of the remitted material has been prepared by
Piergiorgio Valente/ Aleksandar Ivanovski/ Brodie McIntosh/ Filipa Correia

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