BRUSSELS I 26 MARCH 2019

1. Commission Publishes Analysis on CCTB Implementation

The EU Commission has published a taxation working paper containing a detailed analysis of the potential impact the introduction of the European Commission proposal for a Common Corporate Tax Base that was relaunched in 2016 would have on the tax burden of corporations.

The executive summary sets out that the aim of the study is *"to evaluate the impact [of the proposal]…on the effective corporate tax burdens in the 28 EU Member States and to assess the relative importance of single elements of the harmonised tax base".*

The study demonstrates that, when incorporating the Allowance for Growth and Investment provided for in the proposal as a means of interest deduction and the research and development incentives, there is an average decrease in effective tax burdens of 5.1%. The study determines that newly founded, profitable and growing companies would benefit from the growth and investment allowance in particular.

In a situation where national research and development incentives already apply, it was found that introduction of the CCTB would still reduce the effective tax burden by an average of 3.9%.

The CCTB proposal was listed as a priority by the Romanian Presidency and is the subject of ongoing discussion at the EU Council.

2. EU Completes No-Deal Brexit Preparedness Measures

In light of the increasing likelihood of a no-deal Brexit, the EU Commission and Council have now completed final preparedness preparations.

In the event there is a no-deal Brexit, the EU will apply third-country tariffs and customs rules at its borders with the UK, including customs checks and controls, as well as verification of compliance with EU norms. Significant delays at borders are expected. As concerns State aid, current EU rules also provide a means for assisting businesses encountering no-deal Brexit difficulties.

The EU Council has also passed a series of legislative measures as part of the no-deal preparedness preparations, concerning social security, fisheries, transport and the Erasmus programme, amongst others.

Detailed tax-related no-deal Brexit preparedness documents can be located here.

3. OECD Releases Beneficial Ownership Toolkit

The OECD's Global Forum on Transparency and Exchange of Information for Tax Purposes has released a beneficial ownership toolkit aimed to assist governments in implementing the Global Forum's standards concerning the ultimate beneficial owner of a company or entity.

The toolkit includes explanations of the technical and legal requirements concerning beneficial ownership, the criteria to be used to identify the beneficial owner, as well as explanations of existing measures which ensure the availability of beneficial ownership information and its role in automatic exchange of information regimes.

Pascal Saint-Amans, Head of Centre for Tax Policy and Administration at the OECD stated *"Transparency of beneficial ownership information is essential to deterring, detecting and disrupting tax evasion and other financial crimes. The Global Forum's standard on beneficial ownership offers jurisdictions flexibility in how they implement the standard to take account of different legal systems and cultures. However, that flexibility can pose challenges particularly to developing countries. This new toolkit is an invaluable new resource to help them find the best approach."*

4. EU Reaches Provisional Funding Agreement on Tax Cooperation

Provisional agreement has been reached concerning the funding of the EU's tax cooperation programme, "Fiscalis" for the period 2021 - 2027.

The programme supports cooperation between tax administrations by way of funding improved and better connected IT systems, the sharing of good practices and training, coordination of joint audits and risk management processes and fostering Union competitiveness.

Commissioner Pierre Moscovici said of the agreement, "*Today's agreement will allow the Fiscalis programme to continue supporting Member States to work together to find innovative solutions to the problems facing our tax administrations. When coupled with new technology, this work can have a hugely positive effect in our overall fight against tax avoidance and tax evasion, thereby protecting our Single Market. The Fiscalis programme may have a small budget, but it has a big added value."*

The provisional agreement must now be formally approved by Parliament and Council.

Global Forum on VAT Endorse Rules Concerning Collection of Tax by Marketplaces

Delegates attending the OECD’s Global Forum on VAT which took place on 20 – 22 March in Australia unanimously voted to endorse new rules concerning the collection of VAT by online platforms/marketplaces and to allow for data sharing and enhanced co-operation between tax authorities and online marketplaces.

The agreed measures were contained in a new report of the OECD, The Role of Digital Platforms in the Collection of VAT/GST on Online Sales, which builds on the 2015 BEPS Action 1 Report on the Tax Challenges of the Digital Economy. As over two-thirds of online transactions take place by way of marketplace/platform, it is hoped the agreed measures will allow authorities to focus on the compliance of platforms, rather than the individual trader, and significantly increase the amount of revenue collected.

Speaking about the agreed measures, David Bradbury, Head of Tax Policy at the OECD noted, *"These new measures provide governments with the tools needed to ensure that online platforms play their part in the collection of VAT/GST. They will also level the playing field for those on our high streets and in our malls, who have had to compete against online competitors enjoying a tax advantage".*