BRUSSELS I 6 MAY 2019

EU Commission Presidency Candidates: Taxation Will Remain High Up on EU's Agenda

In the run up to the EU elections, Politico Europe, Maastricht University and the European Youth Forum organised the *Maastricht debate* between the likely candidates for the post of EU Commission president. The debate was particularly aiming to target students and young Europeans, and in addition to digitalisation, climate change and sustainability, taxation was among the topics that raised interest and debate.

Bas Eickhout (Netherlands, The Greens), Jan Zahradil (Czech Republic, Alliance of Conservatives and Reformists in Europe), Frans Timmermans (The Netherlands, Socialists & Democrats), Guy Verhofstadt (Belgium, Alliance of Liberals and Democrats for Europe) and Violeta Tomić (Slovenia, Party of the European Left) met in Maastricht, with the notable absence of the Conservative frontrunner, Manfred Weber (Germany, European People's Party) who chose to attend instead a Munich event celebrating the 80th birthday of Theo Waigel, a former German finance minister. Weber did attend another debate in Florence subsequently, where much of the discussions were revolving around the collective security and the need for a separate European army.

All candidates at the Maastricht debate expressed their support for more regulation of the American tech companies operating in the Single Market as a matter of priority. Considering the public interest in the regulatory and enforcement powers of the European Commission vis-a-vis these businesses, it is likely that many related policy areas such as taxation, copyright and data protection will continue to be high-up on the next Commission's agenda.

With great power more responsibility should have come, apparently. All candidates said that tech companies are misusing their powers in ways that undermine the European democracy, such as failing to prevent hate speech online, harming competition in the Single Market and not paying their fair share of tax. Frans Timmermans stated that the EU must act to tax the big tech companies and to ensure that citizens retain ownership and control over their personal data. Member states "*are getting arm-twisted by large companies and they can't take them on individually anymore. These tech companies use the data you give them for free and make billions of it. Such data needs to be owned by you and they need to pay more tax*", Timmermans told the young audience. Guy Verhofstadt called for one European tech regulator to be established and to resist efforts by American companies to influence EU rules. "*It's not for Mark Zuckerberg to tell us what's right and wrong,*" Verhofstadt said.

Violeta Tomić, speaking for the European Left said that "*all tax havens for companies must be abolished within the EU*", arguing that corporate fair taxation is essential to mitigate the fact that the young Europeans are the first generation to be financially worse off compared to their parents.

Separately, the Austrian Chancellor Sebastian Kurz, who is the youngest EU prime minister, said that what the EU really needs in "*is a generational change at the top*", in addition to a new EU treaty.

The EU elections are scheduled for 23 - 26 May, and EU citizens with a right to vote can directly elect Members of the European Parliament from their constituencies. European Parliament's "This time I am voting" page has more information on the voting process.

2. EU Commission Publishes Letter of New 'LuxLeaks' Related Inquiry Against Luxembourg

The EU Commission has published on 3 May the decision which opened an in-depth investigation into whether tax rulings granted by Luxembourg to Huhtamäki may have given the company selective advantage over competitors, in breach of the EU State aid rules. Huhtamäki has its headquarters in Finland, but operates a group structure. The Commission will investigate three tax rulings of the Luxembourg government to the Luxembourg-based entity of the company, Huhtalux. One of these rulings was disclosed as part of the Luxleaks investigation.

The Luxembourgish tax rulings approved the tax treatment of intra-group financing structures in place, whereby Huhtalux received interest-free loans from a company in the group, then used this to finance other companies in the group through interest-bearing loans. The rulings allowed the Luxembourg company to deduct the interest payments from the interest-free loans, interest which was not actually paid, and reduce the company's tax base. The Commission believes the ruling approving this deduction has resulted in a selective advantage being conferred on the group as compared with stand-alone companies.

Commenting, EU Competition Commissioner Margrethe Vestager, said of the investigation: "*Member States should not allow companies to set up arrangements that unduly reduce their taxable profits and give them an unfair advantage over their competitors. The Commission will carefully investigate Huhtamäki's tax treatment in Luxembourg to assess whether it is in line with EU State aid rules.*"

3. The Czech Republic to Introduce Digital Tax

The Czech Republic has announced plans to introduce digital tax of 7% on digital companies, using targeted advertising and sale of personal data as a tax base. In addition, the Czech Republic will tax the sharing economy platforms, expecting estimated revenue of around 5 billion Czech crowns. Frustrated with the lack of progress at EU and OECD level, the Czech Republic decided to propose legislation with modified scope compared to the original EU

Commission proposal, expecting the tax to be introduced by 2020 the latest, depending on the legislative process.

"The digital tax will apply to the most important global players and responds to the failure of the EU-level negotiations so far and the slow progress of the global solution in the OECD. The discussion is not about whether to introduce this taxation, but from when, in what form and in what amount. The Czech Republic will be among the countries that have found answers to these questions. We are sending a clear political signal to accelerate international cooperation", the Czech Minister of Finance Alena Schillerova stated.

UN Tax Committee & ECOSOC Meetings Update

The UN Committee of Experts on International Cooperation in Tax Matters ("UN Tax Committee") convened on 23-24 April 2019 to discuss the update of the UN Nations Model Double Taxation Convention between Developed and Developing Countries, as well as the next update of the UN Transfer Pricing Manual. The session was held alongside the ECOSOC Special Meeting on International Cooperation on Tax Matters, which discussed taxation and inequality.

The ECOSOC members examined the potential of fiscal systems to reduce inequalities: *"As we embark on this great collective journey, we pledge that no one will be left behind. Recognising that the dignity of the human person is fundamental, we wish to see the goals and targets met for all nations and peoples and for all segments of society. And we will endeavour to reach the furthest behind first."*, an excerpt from the 2030 Agenda for Sustainable Development proclaims. In 2007, CFE obtained consultative status with the ECOSOC. As such, the CFE is able to attend meetings of the Committee of Experts on International Cooperation in Tax Matters and communicate its views on taxation issues that are raised for discussion.

ITI/ Harvard Kennedy School Global Tax Policy Conference in Dublin, 21-23 May 2019

The Irish Tax Institute (ITI), a member organisation of CFE Tax Advisers Europe, organises a global tax policy conference with distinguished speakers from the OECD, practice, business and academia. The conference is an excellent opportunity to listen to and engage with international colleagues who are at the frontier of global tax policy. Insightful commentary and open discussions will provide you with the latest news on the future of tax, both in Europe and internationally. To view the programme and register please visit the ITI website.