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New EU Council & Parliament Presidents Elected

The European Council has approved the nomination of former Belgian Prime Minister, Charles Michel to the role of European Council President, electing him for the period 1 December 2019 – 31 May 2022. The mandate can be renewed once, extending the period by a further two and a half years.

On Wednesday, Italian MEP David Sassoli was elected President of the European Parliament, securing 345 from 667 votes in the second round of voting. In a brief speech given after the vote, Mr Sassoli identified the topics of climate change, digitalisation and world balance as needing addressing, and that new solutions are needed to address them.

In relation to the Presidency of the European Commission, the European Council also adopted a decision proposing Ursula von der Leyen to the European Parliament as candidate. She now needs to be elected by an absolute majority by the Parliament, in a vote that will take place in the week of 15 July. Whether Ms von der Leyen will be elected is in doubt, given the heavy criticism by MEPs of her nomination during plenary last week.

Key Takeaways from the European Economic & Social Committee Conference on 5 July 2019

On 5 July, the European Economic and Social Committee hosted a conference on the topic of "The Impact of Corporate Taxes on the European Economy". Speakers included representatives from the OECD, BusinessEurope, DG TAXUD, Oxfam and the Tax Foundation.

Valère Moutarlier, Director of Direct Taxation at the EU Commission's DG TAXUD delivered the keynote speech at the conference, discussing tax certainty. Mr Moutarlier stated that tax certainty has been on the Commission agenda for some time, but that in order to put flesh on the bone what is needed is to sit down and discuss how to achieve that. Mr Moutarlier emphasised that what the Commission needs is studies, and more data, and to reflect on the detail.

With reference to assessing the impact of the OECD debate on digital and how it affects revenues of Member States, Mr Moutarlier identified 3 priorities for the next Tax Commissioner:

1. **International business taxation**, a global discussion which the EU must weigh in on through the following:

a) carrying out revenue impact assessments;
b) ensuring simplification;
c) responding to the challenges of EU law implementation of the OECD agreement.

2. **Environmental and climate taxation,** on the basis of the polluter pays principle and a reassessment of the ETS taxation.

3. **Tax certainty**, noting that the Commission has heard and understood businesses, taxpayers and professionals that the landscape must be predictable and stable.

3.

EU Commission Publishes Tax Trends Study

The EU Commission has published its 2019 Taxation Trends in the European Union Report, setting out an economic and statistical analysis of the taxation trends observed in the 28 Member States. The study also includes results for Iceland and Norway, being members of the European Economic Area.

The report concludes that over the past 10 years tax revenues derived from energy and environment taxes were stable, but fell in 2017 when measured against GDP. Revenue collected from energy taxes represented less than 2% of GDP. Given the focus on this issue within the executive summary of the results of the report, it is likely a topic the new Commission will focus on.

Tax revenues in general have continually grown since 2009 as measured against GDP. The report also includes a detailed analysis for each Member State, as well as the tax trends.

4.

Oxford University Centre for Business Taxation Summer Conference on 5 July 2019

The OUCBT summer conference took place on Friday 5 July and featured an impressive list of speakers, including a significant number of senior officials from OECD. The subject of the conference was “Taxing the Digitalised Economy: Closing in on Reform”, and the first speaker was Pascal Saint-Amans, Director of the Centre for Tax Policy and Administration at the OECD. During the course of the day, other notable OECD officials, including Achim Pross, Head of International Co-operation and Tax Administration and Sophie Chatel, Head of the Tax Treaty Unit gave presentations. Also speaking were professors from US and European Universities, the Centre for Business Taxation as well as representatives from the IMF, the Big 4 and multi-national businesses.

The background to the conference was the OECD Programme of Work published on 30 May to develop a consensus solution to the tax challenges arising from the digitalisation of the economy. Pascal Saint-Amans noted that while BEPS had largely been an initiative of large countries from the developed world, with the US being a somewhat disinterested observer, the current situation is quite different. He stated that the US tax reform of 2017 has changed the US dynamic, and the Inclusive Framework now has 130 fully committed countries, more than twice as many countries as were involved in the OECD work on BEPS. Pascal also suggested that the work of the IMF Group of 24 countries is likely to be extremely influential in the current OECD work.

G7 Finance Ministers are meeting under the Presidency of France on 17-18 July and although there will be no communiqué at the end of the meeting Pascal told Oxford delegates to look out for the Chair's statement at the end of that meeting. The G7 Summit follows on 24 – 26 August in Biarritz, France.

Pascal did not belittle the challenges ahead and recognised that there are currently enormous differences of opinion but international consensus of some sort was going to be crucial if the world is not going to splinter into unilateral and uncoordinated measures which will be very detrimental to business. There are already many measures on the statute books of various countries and lots more in the legislative pipelines of numerous countries.

5.

Eurojust Assists in €84 Million VAT Fraud Seizure

Eurojust played a central role in breaking up a VAT carousel fraud ring, which resulted in over 84 million Euro being seized by Italian authorities. The fraudulent scheme involved the marketing of IT products, whereby invoices were fabricated for transactions which did not take place, in the amount of around 500 million Euro. Fake companies were created to facilitate the VAT fraud.

A dedicated investigation team from Eurojust assisted with the investigation by co-operating with public prosecution offices in Italy and Slovenia and hosting co-ordination meetings at Eurojust in relation to the operation. 49 suspects are now being investigated for tax crimes as a result of collecting VAT related to the scheme that ought to have been remitted to the tax authorities.