BRUSSELS I 16 DECEMBER 2019

1. ECOFIN Report to the European Council on Tax Issues

The Council of the EU has endorsed a report providing an overview of the tax policy work undertaken by Finland's Presidency of the EU. The report highlights the work undertaken and led by the Finish Council presidency of the EU, in particular regarding digital taxation, work in the Value Added Tax (VAT) package, the exchange of VAT-relevant payment information and simplification of SME VAT rules, as well as the EU list of non-cooperative jurisdictions for tax purposes. Concerning progress on the definitive VAT system, the report notes that Member States have requested a detailed technical evaluation, which will allow them to make the final policy choices. The report further indicates the progress towards climate-friendly EU energy taxation.

Regarding the developments at international level to address the taxation challenges of the digitalising economy, the EU took note of the ongoing work at OECD and set out the future steps to be taken by the European Union such as impact analysis, identifying the commonalities among EU member states due by the end of this year. In addition, the Commission will present its preliminary findings regarding the EU law compatibility of OECD-proposed solutions.

Croatia takes over the presidency of the European Union on 1 January 2020.

2. Tax Policy Key to New European Green Deal

The President of the European Commission Ursula von der Leyen presented her ambitious climate-change related policy proposal 'New Green Deal', under which every aspect of the EU economy will be revaluated to address the shortcomings of the European framework, which are compounded by the climate emergency. The European leaders endorsed the policy goal of making Europe a climate-neutral by 2050, with a dissenting opinion from Poland could not commit to this goal, as a result of which the EU leaders will revaluate the matter in June 2020.

As part of the proposed plan to deliver the Green Deal, instruments such industrial policy, infrastructure, transportation, agriculture, construction, taxation and social policy will be engaged.

On the taxation policy front, the EU intends to use tax reforms to absorb climate-policy related shocks aiming to facilitate a just transition to a greener economy, specifically by sending the right pricing signals and incentives to producers, users and consumers. In addition to revision of the Energy Taxation Directive (by qualified majority voting, if necessary), the European Green Deal relies on removing subsidies for fossil fuels and shifting the tax burden from labour to pollution. In order for Member states to be able to rely on targeted VAT rates to reflect the green ambitions, for example to support organic fruit and vegetables, a rapid adoption of Commission's proposal on VAT rates is encouraged.

The State aid guidelines concerning the environmental goals and energy will be revised by 2021 to facilitate a meaningful transition to climate neutrality by 2050, specifically by phasing out fossil fuels and encouraging clean energy sources.

3.

Montenegro & Honduras Join Inclusive Framework on BEPS

In December, both Montenegro and Honduras became members of the OECD/G20 Inclusive Framework on BEPS, becoming the 136th and 137th countries to join, respectively. The OECD's Inclusive Framework of minimum standards was devised by the OECD and G20 countries as part of the 2015 Base Erosion Profit Shifting Plan (BEPS).

Joining the OECD Inclusive Framework also indicates compliance with conditions set by the European Commission concerning the EU's list of non-cooperative jurisdictions in taxation matters aimed at promoting tax good governance and minimising tax avoidance.

4.

OECD Tax Statistics Indicate Revenue Plateau

In December, the OECD published the Revenue Statistics 2019 report. The report demonstrates that the average tax to GDP in the majority of the jurisdictions had not changed significantly from 2017 to 2018, but had decreased in 15 countries. The overhaul of the American corporate tax system led to a decrease from 26.8% in 2017 to 24.3% in 2018. Increases in tax revenues were observed in 19 countries.

The statistics from the report can be accessed via the OECD Global Revenue Statistic database, which provides detailed comparable taxation revenue information concerning jurisdictions.

5.

Turkey Introduces Digital Tax

In December, new legislation passed by Turkey's Parliament was published in the country's official gazette, which introduces a digital services tax to apply to digital advertising, sales of digital content and online digital marketplaces.

The legislation will impose a 7.5% digital services tax on domestic Turkish digital sales for companies with a global turnover above 750 million Euros, and a national turnover above 20 million Turkish lira. The tax will apply from March 2020.