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First ECOFIN Under Croatia's EU Presidency: Digital Tax and Financing the Green Deal

Croatia's Minister for Finance Zdravko Marić will tomorrow 21 January [chair the first ECOFIN](#) under the Croatian EU Presidency. Soon after, on [Wednesday](#) Mr. Marić will exchange views with the Members of the ECON Committee of the European Parliament on the priorities of the Presidency. Among other issues, two important topics are on the ECOFIN agenda: the tax challenges of the digitalising economy and financial aspects of the European Green Deal.

ECOFIN will discuss the deliberations of the OECD process on digital tax, in order to prepare for the next steps after the Inclusive Framework meeting on 29-30 January 2020. EU discussions will be focused on three action points:

- EU law compatibility of the OECD proposals;
- The European Commission impact assessment; and,
- Identifying commonly acceptable elements of the OECD proposals for the EU Member states.

It is also expected that the European Commission would present the economic and financial aspects of the European Green Deal, a package of measures aimed at enabling EU's transition towards climate neutrality. Concerning taxation implications, the Commission has proposed to tax non-recycled plastic-packaging waste as well as reform of the energy taxation framework by means of a carbon border tax. The EU Commission proposals are due in the course of 2021.

Croatia has set out general taxation-related priorities in the [Programme](#) and [Priorities](#) for its Presidency, stating 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.”*



Digital Tax: No Support for the US ‘Safe Harbour’ Approach

The US proposition to make Pillar One optional by allowing companies to ‘opt out’ of the newly proposed profit allocation rules continues to create tensions among governments and “will not fly politically”, the OECD Tax Director Pascal Saint- Amans [said](#) on Thursday. In addition, Martin Kreienbaum, the Chair of OECD’s Committee on Fiscal Affairs, who is also a Director General for International Taxation at the German Federal Ministry of Finance, stated that countries will not accept partial solutions, saying the “*Germany is willing to compromise on Pillar One only if there is a Pillar Two as well*”, which concerns the global anti-base erosion proposal and minimum tax.

At the World Economic Forum next week in Davos, Switzerland, US President Donald Trump is expected to discuss digital taxes with the EU Commission President Ursula von der Leyen, seeking to avoid retaliatory tariffs or trade barriers between the US and the EU. Neither the European Commission nor the White House have confirmed the meeting yet.

As CFE reported last week, 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.



Apple’s CEO: Apple “Desperate” for Fair International Tax System

The CEO of Apple Tim Cook [said](#) that overhaul of international tax rules is overdue, hoping of success of the intergovernmental discussions at OECD level. “*It’s very complex to know how to tax a multinational company. We desperately want it to be fair,*” the Apple CEO said after receiving an award from the IDA, the Irish government body for foreign direct investment.

Tim Cook also called for regulation of the tech companies, saying that “*it is probably strange for a business person to be talking about regulation but it has become apparent that (tech) companies will not self-police in this area. We were one of the first to endorse GDPR, we think it is overall extremely good, not only for Europe. We think it’s necessary but not sufficient. You have to go further and that further is required to get privacy back to where it should be.*”, Mr Cook said.

EU Presents Post-Brexit UK Trade Deal Position

The European Commission published an internal EU27 preparatory document that sets out the EU views on the future relationship with the United Kingdom, regarding the free trade agreement.



The [presentation](#) sets out that if the UK withdraws from EU on 31 January 2020 under the conditions of the Withdrawal Agreement, a transitional period of 11 months will follow, under which UK shall remain significantly aligned with the EU rules. Such a period should lead to a comprehensive free trade agreement (FTA), potentially leading to regulatory alignment.

The European Commission warns however, that one of the possible outcomes come 1 January 2021 is a '*cliff-edge*' scenario, under which at the end of the transition period, the UK and EU will trade on less than optimal WTO terms.



EUROJUST: European Authorities Target Large-Scale VAT Fraud Scheme

In a coordinated action of the police and judicial authorities of a number of EU Member states, a large-scale VAT carousel scheme involving luxury cars was cracked down last week. The VAT carousel scheme involved purchase of luxury vehicles and other luxury products, which were immediately sold in France, but no VAT was paid at the purchase, therefore defrauding the French Tax Administration for an amount of over 12 million Euros.

Luxury cars as well as over 100,000 Euros in cash were seized from 33 premises in France, Romania, Bulgaria, the Czech Republic, Spain, Latvia, Germany, and Lithuania, the European Union Agency for Criminal Justice Cooperation (EUROJUST) [stated](#).