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OECD Release Digital Tax Economic Analysis

In a webcast streamed on 13 February 2020, the OECD released details of an economic analysis and impact assessment concerning the Pillar 1 and Pillar 2 proposals for taxation of the digital economy being negotiated by the Inclusive Framework on BEPS.

The preliminary findings of the analysis being undertaken through the work of the Framework indicate that the combined effect of the Pillar 1 and 2 proposals would lead to an increase of around 4% in global corporate income taxation revenue for both low, middle and high-income economies.

The analysis shows that Pillar 1 would lead to only relatively small increases in taxation, but would achieve a redistribution of taxation rights to market jurisdictions, meaning low and middle-income economies would experience a higher rate of increase in taxation under Pillar 1 than high-income economies. All countries would experience an increase in corporate income taxation under Pillar 2, and MNEs would see an increase in effective taxation rates, with the reduced dispersion in effective tax rates likely to reduce incentives for profit-shifting.

The webcast concerning the preliminary findings of the impact assessment can be viewed [here](#).



EU Commission Publishes Anti-Money Laundering Roadmap

The European Commission has published a [Roadmap](#) concerning future anticipated steps in its “new comprehensive approach to preventing and combating money laundering and terrorism financing”.

The Commission states in the Roadmap that the “*package adopted by the Commission in July 2019 highlighted a number of deficiencies in the implementation of the EU anti-money laundering framework*” and that “*even full implementation of the latest anti-money laundering provisions introduced by the 5th AML Directive...would not remedy the current weaknesses*”.

According to the European Commission: “more harmonisation at EU level, and possibly central EU mechanisms/bodies to strengthen the preventive framework in light of the cross-border nature of much money laundering in the EU and of the integration of the internal market.” are needed.

The Roadmap sets out that a policy communication will be issued in the coming months setting out the areas where further EU action will be taken, which will form the basis of future proposals of the Commission. Extensive consultation with stakeholders will also take place in 2020, with a view to present new policy initiatives in early 2021. Feedback can be submitted on the current Roadmap until 11 March.



Proposal for DAC Directive Codification Published

The European Commission has published a [proposal](#) for the codification of Directive 2011/16/EU of 15 February 2011 on administration cooperation in the field of taxation (“DAC”) with the aim of “simplifying and clarifying the law of the Union so as to make it clearer and more accessible to citizens”.

The codification will not modify the content of the acts, but will merely consolidate them whilst making only necessary amendments for the purposes of codification. As such, the accelerated legislative procedure is able to be used, for the fast-track adoption of codified instruments.



OECD Release Transfer Pricing Guidance on Financial Transactions

The OECD has released [Transfer Pricing Guidance on Financial Transactions](#), further to follow-ups in BEPS Action 4 and Actions 8 - 10. It is the first time the OECD’s transfer pricing guidance has included guidance on the transfer pricing aspects of financial transactions. The guidance aims to improve consistency in interpreting the arm’s length principle and reducing double taxation and disputes.



February EU Infringement Package Published

The European Commission has [published](#) its February infringement package setting out the legal action being pursued against various Member States by the Commission for non-compliance with obligations under EU law.

Letters of formal notice were sent to Cyprus, Hungary, the Netherlands, Portugal, Romania, Slovakia, Slovenia and Spain for failing to implement the 5th Anti-Money Laundering Directive. The countries will have two months to notify the Commission that the Directive has been implemented, or will thereafter be issued with reasoned decisions.

Germany was issued with a letter of formal notice for failing to have in place proper IT systems for the implementation of the VAT quick fixes package, which entered into force on 1 January 2020. Germany has indicated it will only have the necessary IT infrastructure

in place by the end of 2021. Germany will have two months to respond, before being issued with a reasoned decision.

The Commission has also referred Portugal to the Court of Justice for failing to amend legislation concerning the rate of tax levied for registration of second-hand imported vehicles, issued a letter of formal notice to Malta for failing to levy the correct rate of VAT on sales of yachts and to Latvia for taxing more highly cars registered in other Member States by Latvian tax residents.