BRUSSELS I 25 MAY 2020

France to Impose Digital Tax in Absence of OECD Agreement

French Finance Minister Bruno Le Marie has confirmed that France will only proceed with the imposition of its planned digital tax should no agreement be reached at OECD level by the end of 2020.

The French digital tax was signed into law on 24 July 2019, imposing 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. In January, Steven Mnuchin, the US Treasury Secretary and Bruno Le Marie agreed to avoid a potential trade war following the introduction of the French Digital Services Tax. The US side agreed to suspend the imposition of tariffs on French goods whilst France agreed not to collect the digital tax until the end of 2020, subject to an OECD agreement by the end of year.

Speaking concerning the trade implications of any agreement at international level, Pascal Saint-Amans reportedly stated *"Interestingly, I would see the impact of COVID on trade as probably pulling some of the teeth out of the mouth of 301, the threat by the U.S. to take sanctions against countries moving unilaterally," Saint-Amans said. "We can see Indonesia, India, Nigeria, Egypt joining France, the U.K., Spain, Italy, Austria, Turkey, and I could name many others that are going to move if we don't have the solution very quickly."*

The outcome and any agreement concerning OECD negotiations is anticipated in October.

EU Economic & Finance Ministers Videoconference on EU COVID-19 Response

On 19 May, EU Finance Ministers held a videoconference to discuss and assess the EU response on the economic impact of the coronavirus pandemic, and the EU recovery package agreed by Ministers on 9 April, which will provide targeted relief for EU economies in response to the COVID-19 outbreak.

The Ministers welcomed the adoption of the temporary support to mitigate unemployment risks, SURE, which allows for up to 100 Billion Euros in loans to Member States to finance short-term work schemes.

Ministers also discussed the Commission's recently published Action Plan on anti-money laundering and terrorist financing, as well as its revised methodology for identifying high-risk third countries. In particular, ministers discussed how to further improve the existing AML framework, by creating a harmonised set of rules and establishing a new dedicated EU authority for AML.

European Spring Semester Package Released

The European Commission has published its Spring Semester Package, evaluating the main economic challenges and opportunities for Member States and setting out Country-Specific Recommendations in light of their present circumstances.

The Spring Package focuses in particular on the impact of the coronavirus epidemic on Member States' national finances and economic performance, and recommendations are based on the need for a coordinated European response to mitigate the economic damage and to attempt to ensure stability and equality in recovery throughout Europe.

Paolo Gentiloni, Commissioner for Economy, said of the Semester Reports: *"The coronavirus pandemic and the necessary containment measures have dealt a brutal blow to Europe's economies. These recommendations reflect that unprecedented situation. The priorities today are to strengthen our healthcare, support our workers, save our businesses. Yet the challenges we faced before this crisis have not gone away. So as we look to the future, our investment and reform objectives must remain focused on making a success of the green and digital transitions and ensuring social fairness.* ***That also means everyone must pay their share: there can be no place for aggressive tax planning in a Europe of solidarity and fairness."***

Further details of the Semester Reports can be found here.

UK Publish Post-Brexit Global Tariff Plan

The UK's revenue authority, HM Revenue & Customs, has published details of the UK tariff, or so-called UK Global Tariff, which will apply on the importation of goods into the UK from 1 January 2021. The UK Global Tariff will replace the EU Common External Tariff.

The new Global Tariff will apply to all imported goods, except where: there is a trade agreement between the UK and country from which the goods are being imported, an exemption or some sort of relief applies, or the goods come from a country which forms part of the Generalised Scheme of Preferences.

The Global Tariff does not include VAT or any other import duties that may be payable, nor does it take into account anti-dumping or other sorts of restrictions that may apply.

French-German Initiative for EU Recovery from Coronavirus Crisis

France and Germany have published a joint statement setting out an initiative for European recovery from the impact of the coronavirus crisis. The initiative sets out four measures as being key to recovery:

- **Developing a EU "Health Strategy"** – increasing EU research capacity for vaccines and treatments, coordinating EU procurement policy, as well as ensuring EU production and stocks of medicine and medical products;

- **Establishing a EU "Recovery Fund"** – A temporary recovery fund to be funded through the Commission borrowing on markets on behalf of the EU, to assist the most affected sectors and regions;

- **Speeding up Green & Digital Transitions** – modernise the EU economy and business by accelerating digital transitions and ensuring a carbon-neutral economy by 2050;

- **Giving "New Impulse" to the Single Market** - diversify supply chains, adjust industrial strategy to recovery plans and develop a roadmap to create a fully integrated single market in key areas.

The countries propose in the statement that the initiative should be discussed at the Conference on the Future of Europe, which was due to begin on 7 May but has been postponed until further notice.