BRUSSELS I 13 JULY 2020

European Tax Professionals Call for Better Tax Governance: Joint statement of CFE Tax Advisers Europe and Accountancy Europe

Ahead of the European Commission Anti-fraud tax package, Accountancy Europe and CFE Tax Advisers Europe, leading European associations for tax professionals, highlight three areas for policymakers in which the current tax system could be improved whilst longer term reforms are being developed. Policymakers, taxpayers, and tax professionals need to work together to make tax systems more resilient and fit for purpose for the 21st century.

The Joint Statement has set out four key messages to the EU and other relevant stakeholders:

- Member States should co-operate with the help of the European Commission to develop effective co-operative compliance programmes suitable for all sizes and types of businesses and that facilitate cross-border trade and reduce the possibilities for double taxation. We call on the European Commission to encourage and enable exchanging best practices on co-operative compliance in Europe, and to issue recommendations for co-operative compliance fit for SMEs;

- Cooperative compliance programmes should be subject to transparency of tax administrations and respect of taxpayers' rights, as set out in national and international / EU law;

- Businesses should consider the advantages that voluntary public tax transparency – as an integral part of their sustainability policies – could bring to their business and its relationship with tax authorities and other stakeholders. The European Commission should monitor and assess the effectiveness of voluntary tax transparency initiatives;

- Businesses and tax authorities should invest in the latest IT solutions to improve the quality of data, communication, and remote access to services. We look forward to the European Commission's initiatives aiming to promote IT solutions in tax administrations and stand ready to help.

Full details concerning the joint statement can be found here.

Fiscal State Aid: IKEA Decision to Expand Investigation & Apple General Court Judgment

The European Commission published a non-confidential version of the decision to expand the fiscal State aid investigation into the Dutch tax treatment of IKEA Systems BV, following-up on its initial decision of December 2017. The Commission subsequently extended the scope of its State aid investigation into the tax treatment of Inter IKEA by the Netherlands. The investigation relates to two tax rulings – advance pricing agreements (APAs) concluded by the Dutch Tax Administration and IKEA's Dutch subsidiary, Inter IKEA Systems BV. The Commission has now extended the investigation to examine amortisation of the IP in more recent years by the Dutch subsidiary, and whether deduction of the amortisation by the Dutch subsidiary granted a selective advantage over other companies. Commission's focus is now both the transfer-pricing rulings and IKEA's annual tax assessments for the tax years since 2006. The Commission decision and the letter addressed to the Government of the Netherlands have now been made publicly available by DG COMP.

In addition, the highly anticipated decision of the General Court concerning Commission's case of Ireland's tax treatment of Apple is expected to be published on Wednesday. Ireland's and Apple's €14 billion Euro appeal against the EU Commission's 2016 decision that Ireland's tax authorities granted Apple a "selective advantage" by failing to employ appropriate profit allocation methods to apportion income of the Irish Apple branches, in contravention of EU State aid law, was heard by the EU General Court in September. Ireland's and Apple's lawyers argued that the fact that Apple's products and services were developed in the United States exposed flaws in the primary line of the Commission's arguments, arguing the two branches simply could not be responsible for generating all of Apple's profits outside the US. Lawyers for the Commission argued that Ireland had not carried out the requisite assessment of the subsidiaries' activities, risks or assets. In addition, the Commission claimed at the hearing that the Irish Revenue, by accepting the 'arbitrary method' of calculating profits suggested by Apple without carrying out any assessment in itself gave rise to selective advantage, in contravention of both Irish tax law and EU State aid law.

Commenting ahead of the judgment, Irish Tánaiste and Minister for Enterprise, Trade and Employment Leo Varadkar said that "no matter what the judgement is, this case will almost certainly be appealed by one party or another to the European Court of Justice," Mr Varadkar said. Should there be an onward appeal of the General Court judgment, the final determination of the case is in the hands of ECJ, the Court of Justice of the European Union.

Platform for Collaboration on Tax Published Progress Report 2020

The Platform for Collaboration on Tax, a joint initiative of the IMF, OECD, UN and World Bank Group, has published its 2020 Progress Report, highlighting activities that the Platform has carried out since June 2019 under three work streams: cooperation and exchange of information in domestic revenue mobilisation capacity development activities, analytical activities, and outreach activities. Despite the challenges posed by COVID-19, the

Platform quickly adapted to a virtual delivery environment to support developing countries in building capacity to mobilise tax revenues, the OECD has stated.

Publication of OECD's Development & Tax Cooperation Report

The OECD has published its Tax Cooperation for Development Report, highlighting the OECD's work with developing countries since the 1990's. Commenting, the Director of the OECD Tax Administration and Policy Centre, Pascal Saint-Amans wrote: "*International support for capacity building in all areas of tax administration and tax policy therefore remains essential and must be stepped up. The current crisis also provides the opportunity for a deeper reflection on the current state of play. Crucially, it appears that many low-income and low-capacity countries are uncertain about the extent to which the direct benefits of the reforms in the international tax standards, particularly regarding the taxation of multinational enterprises, flow to them. Five years after the BEPS Project, and ten years after the establishment of the Global Forum, the time is right to assess the benefits for the developing world.*"

OECD Publishes Annual Corporate Tax Statistics

The OECD's annual Corporate Tax Statistics, based on the Country-by-Country Reporting requirements for MNEs under the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project, indicate that corporate income tax remains a significant source of tax revenues for governments across the globe, accounting for 14.6% of total tax revenues on average across the 93 jurisdictions in 2017, compared to 12.1% in 2000. Corporate taxation is even more important in developing countries, comprising on average 18.6% of all tax revenues in Africa and 15.5% in Latin America and the Caribbean, compared to 9.3% in the OECD countries. The full report is available to read here.

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