



BRUSSELS | 3 AUGUST 2020



CFE's EU Tax Policy Report – Semester I 2020

The COVID-19 pandemic conditions that developed in the first six months of 2020 led to extreme public health and economic challenges, shifting the focus of the wider community into contending the impact of COVID-19. The first semester of 2020 has therefore proved to be extraordinary by any standard. In the EU, Croatia, who held its first ever Presidency of the Council of the European Union from 1 January 2020 to 30 June, was successful in managing to achieve progress on multiple taxation files despite the extreme challenges posed by the COVID-19 outbreak.

Detailing those developments, CFE Tax Advisers Europe has published its signature [EU Tax Policy Report](#) for the first semester of 2020, covering the period of January to June 2020. The report contains analysis of significant primary law and tax policy developments at both EU and international level and an overview of selected case-law of the Court of Justice and relevant European Commission decisions.



Brexit: Changes to VAT treatment of Overseas Goods in the UK and Guidance on EU Imports

The Government of the United Kingdom has announced [changes](#) in the VAT treatment of goods imported from overseas and sold to UK customers, a new set of rules which will enter into force on 1 January 2021, at the end of the Brexit transition period. The UK Government has also published [guidance](#) on actions required by business to continue importing from the EU Member states after 1 January 2021.

The main changes include:

- For goods sold directly to UK consumers without online marketplace involvement, the overseas seller will be required to register and account for the VAT to the UK tax authorities, HMRC.
- Online marketplaces, where they are involved in facilitating the sale, will be responsible for collecting and accounting for the VAT.
- B2B sales not exceeding £135 in value will also be subject to the new rules. However, where the business customer is VAT registered in the UK and provides its

valid VAT registration number to the seller, the VAT will be accounted for by the customer by means of a reverse charge.

- For imports of goods from outside the UK in consignments not exceeding £135 in value, a UK supply VAT will be due rather than import VAT. As a result, VAT in the UK will be collected at the point of sale, rather than the from the point of importation.

Negotiations for a comprehensive post-Brexit free trade agreement between the EU and the UK are expected to be finalised in the coming months to avoid a 'cliff-edge' scenario come the end of the transition period on 1 January 2021, under which the UK and EU will trade on less than optimal WTO terms. The next round of [post-Brexit talks](#) are scheduled for 17 August in Brussels, 7 September in London and 28 September in Brussels.

A joint EU-UK [statement](#) issued confirms that the UK will not entertain an extension of the transition period, and states that significant progress still needs to be made to agree an exit deal. It indicated that negotiations will be intensified in the coming months, though the recent statement of EU negotiator Michel Barnier is less than encouraging as to the likelihood of an agreement being reached. Access to the Single Market remains a key stumbling block in the negotiations.



EU: Further Steps to Contend the COVID-19 Economic Impact

German Chancellor Angela Merkel as Chair of EU Presidency, President of the EU Commission Ursula von der Leyen and President of the European Parliament David Sassoli [discussed](#) next steps in the adoption of the EU's recovery package "Next Generation EU" as well as the Multiannual Financial Framework, following the agreement reached by leaders of the EU Member states and the EU Parliament resolution of 23 July. The EU leaders and Mrs Merkel agreed that all procedures must be completed in order for the recovery package to become available on 1 January 2021.

Separately, the European Parliament Committee of Economic Affairs (ECON) published a [report](#) containing steps (legislative and non-legislative) that were accomplished or planned by the European Parliament to contend the economic impact of the COVID-19 pandemic. In addition to amendments of certain EU Directives which allow for deferral of deadlines, the European Parliament has set out policy options for the post-crisis economic recovery of the Single Market concerning in particular regarding the general budget of the European Union for the financial year 2021, the Capital Markets Union (CMU), improving access to capital market finance, in particular by SMEs, further enabling of retail investor participation, and Sustainable Europe Investment Plan on how to finance the European Green Deal.



OECD's Global Forum Toolkit on the Mutual Assistance Convention

The OECD Secretariat has published a [toolkit](#) to facilitate countries' decisions concerning becoming a party to the Mutual Administrative Assistance Convention and to provide

guidance on the steps to be taken and how to better prepare for joining. The OECD hopes that strengthening the administrative cooperation framework by facilitating exchange of financial information (EOI) between countries will lead to increased tax transparency, combating tax evasion and helping domestic revenue mobilisation. The [Convention on Mutual Administrative Assistance in Tax Matters](#) was developed by the OECD and the Council of Europe in 1988 and amended in 2010, as the most comprehensive multilateral instrument to facilitate tax co-operation and to address tax evasion and avoidance.



Tax Administrations' Response to COVID-19

The OECD has published a [report](#) aimed at improving tax administrations' response to the COVID-19 crisis. This document analyses the transformed role of tax administrations in particular with respect to providing financial assistance and support to citizens and businesses, using tax administration staff or services to support wider government COVID-19 responses and information assistance by using tax administration's data analytics capabilities.

Commenting, Pascal Saint- Amans, Director of the OECD Centre for Tax Policy and Administration said of the report: "In addition to the support that tax administrations have been giving to taxpayers under their own powers, many administrations have also played a critical role in the provision of wider government support, including financial support. These new roles bring significant challenges in terms of rapid IT systems developments and redeployment of staff, and the lessons learned will help ensure that tax administrations emerge stronger and more agile from the crisis", Pascal Saint- Amans stated.