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ECOFIN: EU Council Progress on Pillar 2 Minimum Corporate Tax Implementing Directive

EU Finance Ministers met on 15 March at the Council of the EU's Economic and Financial Affairs Council configuration. At the meeting, significant progress was made in relation to the EU Directive on the implementation of the OECD's Pillar 2 minimum corporate income tax.

A [revised compromise text](#) published ahead of the meeting revealed some notable changes from the original proposal, the most significant of which being that the time limit for transposition has been changed to 31 December 2023, instead of 31 December 2022. Under the current compromise text, the Directive would apply for fiscal years beginning 31 December 2023, instead of

from the start of 2023. The Undertaxed Payments Rule would then accordingly apply from 31 December 2024. The revised compromise text also includes a provision that Member States with no more than 10 ultimate parent entities of groups in scope of the Directive can elect not to apply the Undertaxed Payments Rule and Income Inclusion Rule until the end of 2025.

Although progress has been made towards agreeing the draft Directive, certain Member States called for further delay for the transposition and more lenient conditions for the option to elect not to apply the Undertaxed Payments and Income Inclusion Rules. French Finance Minister, Bruno Le Maire, said of the discussions, *"We have made major progress on the minimum taxation directive. An agreement is within reach to end the race to the bottom. Multinational companies will have to pay a minimum of 15% of taxes worldwide"*.

A recording of discussions on the proposal can be viewed [here](#). Discussions will continue at the ECOFIN meeting in April.

OECD: GloBE Model Rules Guidance & Framework Consultation

The OECD has now published a detailed technical [Commentary](#) and [Illustrative Examples](#) setting out guidance on the operation and intended outcomes of the [Global Anti-Base Erosion Rules](#).

Speaking concerning the commentary, Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration, said: *"The release of the Commentary today is a significant achievement which concludes many months of hard work by Inclusive Framework members in reaching a detailed*

agreement on the substantive provisions of the GloBE Rules. With the completion of the technical work on the Model Rules and Commentary, Inclusive Framework members now have all the tools they need to begin implementing the rules."

The next steps in the OECD's [two-pillar solution](#) to reform the international tax framework in response to the challenges of digitalisation of the economy is to develop the Implementation Framework needed for the Detailed Implementation Plan. The OECD has accordingly also now launched a consultation concerning the Implementation Framework, focusing on the following questions:

- Do you see a need for further administrative guidance as part of the Implementation Framework? If so, please specify the issues that require attention and include any suggestions for the type of administrative guidance needed.
- Do you have any comments relating to filing, information collection including reporting systems and record keeping? In particular do you have any views on how the design of the information collection, filing obligations and record keeping requirements under GloBE could be designed to maximise efficiency, accuracy and verifiability of information reporting while taking into account compliance costs?
- Do you have any suggestions on measures to reduce compliance costs for MNEs including through simplifications and the use of safe-harbours?
- Do you have views on mechanisms to maximise rule co-ordination, increase tax certainty and avoid the risk of double taxation?

Input is being welcomed by the OECD until 11 April 2022. The input should be in electronic format (Word documents) and submitted via e-mail to taxpublicconsultation@oecd.org, to the attention of: International Co-operation and Tax Administration Division, OECD/CTPA.

A public consultation meeting will follow at the end of April 2022.

Save the Date: CFE Forum 2022 on 12 May 2022 in Brussels

CFE Tax Advisers Europe's [2022 Forum](#) will be held on 12 May 2022 in Brussels on the topic of “*The Future of Holding Companies & VAT Grouping in the Current Tax Policy Climate*”. The conference will examine issues surrounding the European Commission’s Unshell Proposal and how policy developments affect the use of holding companies and VAT groups across tax structures.

Speakers from a wide range of stakeholder perspectives will examine issues raised by the Commission’s proposal, legitimate uses of holding companies, and problems with the divergence in approaches throughout the EU on VAT grouping.

More details about the programme, line-up of speakers and the registration link for the event is available [here](#).

ECOFIN: Agreement on Carbon Border Adjustment Mechanism

On 15 April, EU Finance Ministers at the Council of the EU's Economic and Financial Affairs Council meeting reached [agreement](#) on the [Carbon Border Adjustment Mechanism](#) (CBAM).

The EU proposal aims to level the playing field by targeting imported goods from countries which do not apply the same standards as Europe, thus

preventing carbon leakage. To do so, the Directive aims to put a price on carbon-intensive imports, such as steel, electricity and fertilisers, thus encouraging trade partners to implement similar green policies at home. As a result, global reduction of carbon emissions could be achieved simultaneously.

The Directive also foresees a registry of CBAM declarants (importers) centralised at EU level, as well as a minimum threshold which exempts importers from obligations where goods have a value of less than €150, in order to reduce administrative complexity.

French Finance Minister, Bruno Le Maire, said of the agreement, *"The agreement in the Council on the Carbon Border Adjustment Mechanism is a victory for European climate policy. It will give us a tool to speed up the decarbonisation of our industry, while protecting it from companies from countries with less ambitious climate goals. It will also incentivize other countries to become more sustainable and emit less. Finally, this mechanism responds to our European ambitious strategy that is to accelerate Europe's energy independence."*

Although agreement has been achieved on the wording of the CBAM, work on closely related aspects under the Emissions Trading Scheme Directive, such as the phasing-out of allowances to industry sectors and solutions for limiting carbon leakage must first be achieved. Once progress of these matters has been made at Council level, the file will thereafter be progressed to the European Parliament for negotiations.

[EU Parliament: Public Hearing on the New Anti-Money Laundering Package](#)

On 22 March, the EU Parliament's ECON and LIBE Committees are holding a joint public hearing concerning the new Anti-Money Laundering Package proposed by the EU Commission in July 2021. Speakers will feature the President of the Financial Action Task Force and representatives from FIUs in France and Latvia, amongst others. They will highlight the outstanding elements of the EU Commission's legislative package from their perspectives.

Interestingly, the Financial Action Task Force this week updated its [Recommendations](#) to add new definitions of "nominator" and "nominee shareholder or director", to strengthen the standards on beneficial ownership of legal persons, and recommended governments set up beneficial ownership registers where this is not already in place. These measures would [reportedly](#) be of use in identifying Russian assets targeted by sanctions introduced by the US and Europe following the Russian invasion of Ukraine.

The EU Parliament's Permanent Subcommittee on Tax Matters will also hold two public hearings at their next meeting on 28 March, one from 13:45 to 16:15 on '*Case studies on Member States national tax policies - The Netherlands: implemented national tax reforms and the combat against aggressive tax schemes*', and the other from 16:45 to 18:45 on the '*exchange of information with jurisdictions appearing prominently in the Pandora papers (such as Crown Dependencies, British overseas territories and some US States)*'. The hearings can be followed via live streaming [here](#).

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