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EU Tables Minimum Tax Directive Vote for June

The French Presidency of the Council of the European Union tabled the discussion on the directive on the implementation of Pillar 2 into the EU legal order for the 17 June ministers' of finance meeting, facing opposition from Poland. Poland's Finance minister Magdalena Rzeczkowska maintained veto over the compromise directive as agreed by the rest of the EU member states and the French presidency. Poland requires a legal link between Pillar 2 and Pillar 1 to lift its veto, whereas the French Finance Minister Bruno Le Maire is optimistic the Polish will be 'won over' by 17 June to agree unanimous EU position. Rzeczkowska has raised concerns that if Pillar 1 fails, the global minimum tax would burden international businesses in Poland and may cut revenues.

The directive was scheduled for approval on 24 May however the French presidency removed the item last minuted faced with Poland's veto. EU law requires unanimous vote of all Member states to legislate on taxation matters.

In the interim, US Treasury Secretary Yellen tried to break Poland's opposition but such efforts did not come to fruition. "We strongly believe it's in the interest of Poland to be part of this so we've had very good, frank discussions, but more work is needed," Yellen said after the meeting with Poland's Prime Minister Mateusz Morawiecki, Finance Minister Magdalena Rzeczkovska and governor Adam Glapinski in Warsaw.

Yellen also faced difficulties reassuring Europe on the certainty of US implementation, given the low likelihood of Congress approving rise to 15% of the current 10.5% US GILTI rate and converting it to a country-by-country system. US approval of Pillar 2/ Build Better Act remains stalled faced with opposition in the Senate from both sides of the aisle, in particular some Democratic Senators.

EU: Successful Implementation of E-Commerce VAT Package

The European Commission announced successful VAT revenue figures after the first six months of implementation of the EU E-commerce package since 1 July 2021. In the first six months of operation, Member States collected €6.8 billion in VAT revenues via the expanded OSS portals. In addition to this €6.8 billion, over €2 billion in VAT revenues was collected on imports of low value consignments not exceeding €150. Of those revenues on low value consignments, more than half – approximately €1.1 billion - was collected via the import OSS. Almost €700 million represented new VAT revenue, equating to €1.4 billion annually, generated by the abolition of the VAT exemption that previously applied to imports of low value goods not exceeding €22 and which was highly susceptible to fraud, the European Commission said in a press release.

EU Commission Takes Malta to the ECJ Over Car Tax

The European Commission decided to take Malta to the European Court of Justice of (ECJ) for taxing used cars imported from other Member States more heavily than used cars purchased on the Maltese market. The European Commission maintains Malta was in breach of Article 110 TFEU, which requires Member States to arrange car taxes in a way that does not favour sales of domestic cars thus discouraging sales of second-hand cars from other Member States.

In addition, the Commission asked the German government to bring its tax rules on voluntary pension savings contracts (“Riester-Rente” contracts) concluded after 1 January 2010 in compliance with EU law.

EU Spring Semester Reports & EU Interest Rate Rise

The Spring 2022 Economic Forecast projects the EU economy to continue growing in 2022 and 2023, however with significant challenges to the Single Market related to security of energy supply and fossil fuel dependency on Russia, following Russia's invasion of Ukraine and related sanctions. The forecast indicates the war has brought on renewed disruptions in the global supply chains, fuelling further commodity price pressures and heightening uncertainty.

In addition, the European Central Bank (ECB) Governor Christine Lagarde hinted the ECB would increase the headline interest rate for the first time since the 2009 financial crisis, bringing an end to the era of negative interest rates among double-digits inflation in some areas of the EU Single Market and the Eurozone.

More detailed country-specific recommendations, including fiscal policy related aspects can be viewed on this link.

CFE Position Paper on Crypto-Assets Reporting

CFE Tax Advisers Europe issued an Opinion Statement on the OECD consultation on a Crypto-Asset Reporting Framework and Amendments to the Common Reporting Standard. CFE recognises the need to understand and meet the challenges presented by the crypto revolution. For this reason we are supportive of the OECD efforts to establish global transparency but are of the view there is a clear need to focus on how this framework is implemented. CFE is concerned about the scope and nexus rules of the framework, and believes a tax framework for e-assets should be developed prior to a system for exchange of information.

CFE is of the view that existing tax legislation establishes canons of taxation that have the capacity to deal with crypto assets and that what is needed is convertability which enables ready adaptation. Accordingly it should be no surprise that in our view amendment to the Common Reporting Standard (CRS) is a necessary precursor for this to happen and we are wholly supportive of the OECD proposals in this respect. We are not sure, at this stage, that the proposal for the development of a CARF, which underlies this consultation, has the necessary structural foundations to enable implementation and, therefore, risks substantial untargeted and unmatched over-reporting if introduced in haste.

Release of an early CARF, which we think will not be globally accepted, will act as a disincentive for the economic and prosperous development of the sector in mature tax environments. It will act as a driver for crypto activity to develop in countries which make clear their intention not to introduce regulation and reporting in accord with a CARF. CFE wonder whether a country by country implementation is necessarily the way to progress and think it far too early to form a view one way or another. That said, we reiterate our support both for a clear enunciation of a global taxation framework which includes crypto-assets, signposted by the Common Reporting Standard, and further research into what a Crypto Asset Reporting Framework which has global connectivity and matched reporting could look like.

CFE reiterates its position that it welcomes the work of the OECD in seeking to establish a crypto-asset reporting framework and exchange of information in this field in light of the development of new financial technologies, and remains available to assist in any further stakeholder consultation processes.

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