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Czech EU Presidency Aims for October Adoption of Pillar 2 Directive

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Speaking in the European Parliament, Zbyněk Stanjura, the Czech Finance Minister confirmed work on ironing out any remaining differences among member states will be intensified come autumn, with a view of reaching a uninamous EU deal by the 4 October ECOFIN summit in Luxembourg. The Czech Presidency of the Council of the EU held its first ECOFIN meeting on 12 July, at which it presented its Presidency Agenda for the second half of 2022.

The ECOFIN Council meeting of 12 July also saw the adoption of the legal framework to include Croatia in the Single European Currency. As of 1 January 2023, Croatia will adopt the Euro, becoming the 20th EU member state to join the Eurozone. The Council adopted the final three legal acts which will enable Croatia to formally introduce the Euro, setting the conversion rate between the Euro and the Croatian Kuna at 7.53450 Kuna per 1 Euro.

The Czech Finance minister presented the Presidency Work Programme, where the implementation of the OECD Global Tax Agreement is listed as a very high priority for the Presidency. Additionally, the Czech Presidency will aim to focus on unjustified tax exemptions, strengthening tax transparency and updating the EU list of noncooperative jurisdictions. It will focus on negotiations on the Carbon Border Adjustment Mechanism at Council and, thereafter, trilogue level with the aim to reach political agreement on this file under its Presidency. The current AML package is also detailed as a specific priority, as is the legislative package for reform of the Customs Union which will be presented during its Presidency.

EU Tax Policy Report: Semester I - January to June 2022

CFE Tax Advisers Europe has now published its EU Tax Policy Report covering the first semester of 2022. The EU Tax Policy Report is a bi-annual publication which provides a detailed analysis of significant primary law and tax policy developments at both EU and international level that have occurred in the previous six months which would be of interest to European tax advisers. It also includes an overview of selected CJEU case-law and relevant European Commission decisions.

We invite you to read the EU Tax Policy Report, and remain available for any questions or comments that you may have.

OECD Releases Progress Report on Pillar 1

The OECD has now released a Secretariat - prepared progress report concerning Pillar 1 and the implementing multilateral convention, at the same time, seeking input by 19 August on the Progress Report on Amount A of Pillar One.

The revised timeframe now sets out the detail on finalising the new Multilateral Convention, which the the Inclusive Framework should agree by mid-2023, for entry into force in 2024. This revised timeline, according to OECD Secretary-General Mathias Corman, will allow for better stakeholder participation. Further technical detail is set out in the OECD draft document.

“We have made good progress towards implementation of a new taxing right under Pillar One of our international tax agreement. These are complex and very technical negotiations in relation to some new concepts that fundamentally reform international tax arrangements, to make them fairer and work better in an increasingly digitalised, globalised world economy,” OECD Secretary-General Mathias Cormann said. “We will keep working as quickly as possible to get this work finalised, but we will also take as much time as necessary to get the rules right. These rules will shape our international tax arrangements for decades to come. It is important to get them right,” Corman said.

The documents are not agreed by the members of the Inclusive Framework and seek to gather stakeholder input on the matter. OECD notes that whilst comments are invited on any aspect of the rules, input will be most helpful where it explains the additional guidance that would be needed to apply the rules to the circumstances of a particular type of business, as well as input on whether anything is missing or incomplete in the rules. Comments on the Secretariat draft are welcome until 19 August 2022 at tfde@oecd.org.

'Living CFE': CFE's Published & Forthcoming Publications, Events and Statements

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CFE Tax Advisers Europe is pleased to share the latest edition of 'Living CFE'. The publication includes key events and meetings attended or organised by CFE Tax Advisers Europe, technical work submitted to international organisations or publicly released, and forthcoming events.

We invite you to read the publication and remain available for any queries you may have.

CFE Opinion Statement on Introducing a Common EU-wide System for Withholding Taxes

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CFE recently issued an Opinion Statement in relation to the European Commission's public consultation on introducing an EU-wide system on withholding taxes. The CFE Tax Advisers Europe is supportive of the initiative to introduce an EU-wide system for relief at source of withholding tax on dividend, interest, royalty payments and service fees, and for exchange of information and cooperation between tax authorities under the system.

CFE has a strong preference for a harmonized relief at source system and strongly support that there should be a harmonized means to obtain via erequest a tax residence certificate, with swift online provision of the tax residence certificate, and a digitalised verification system. Refund procedures are costly, time-consuming and often result in taxpayers having their refund claims refused for various administrative-related reasons. It is illogical that if one invests in the US, the treaty rate is automatically applied based on very simple and straightforward procedures, whereas this is not the case automatically if one were to invest in shares in another EU Member State.

In conjunction with the implementation of measures to improve the withholding tax refund procedures and establish a common EU relief at source system, CFE is of the view that there are solid public policy arguments for Option 3 (enhancing the existing administrative cooperation framework to verify entitlement to double tax convention benefits) and extending this to third countries. This could build on existing multinational arrangements including, for example, FATCA, though the focus there is on individuals. This would minimise de facto economic losses to investors etc and does the most to promote transparency and cooperation among tax authorities.

We invite you to read the Opinion Statement and would welcome any feedback or queries concerning the position paper.

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