



23 May 2016

### **1. EP adopts draft directive on country-by-country reporting on taxes**

On 12 May 2016, the European Parliament endorsed an amendment of the Administrative Cooperation Directive introducing country-by-country reporting of tax-related information of multinational companies and exchange of this information among tax authorities. Companies with an annual turnover over €750 million will have to communicate information about their taxes, profits and revenues to tax jurisdictions in every EU country in which they have business operations.

Political agreement by EU member states at the ECOFIN Council on this issue was already reached on 8 March. Although the Parliament is only consulted on the proposal, its opinion is a necessary step towards the final adoption by the Council which is expected at the ECOFIN meeting on 25 May 2016.

- Link to the agenda of the ECOFIN Council: [EN](#)
- Link to EP amendments to the draft directive [EN](#)

### **2. Ireland and UK divided over Commission's decision on tax rulings**

Ireland and the UK took opposite sides regarding European Competition Commissioner Margrethe Vestager's efforts to target certain tax rulings issued by EU member states to multinationals. According to an article published in *POLITICO*, Ireland supported an appeal against the Commission's verdict calling on Luxembourg to collect €25 - 30 million in taxes from a subsidiary of Fiat. The UK backed Vestager against the Luxembourg's appeal, to the surprise of commentators. The country apparently also supported the Commission in an appeal by the Dutch government to collect up to €30 million in back taxes from Starbucks. The Commission recently dropped an early stage inquiry into generous UK tax arrangements for patent-holders, but is still assessing a UK tax settlement with Google.

- Link to article in POLITICO: [EN](#)

### **2. Double taxation: Advocate-General defends different treatment of foreign interest income in cases where interest deduction has been denied**

Danish rules leading to double taxation by denying the exemption of interest income from a subsidiary in another EU member state are not a restriction to the freedom of establishment, according to the opinion of EU Court of Justice Advocate General Juliane Kokott, presented on 12 May 2016 in the case Masco Denmark and Damixa (C-593/14). Denmark does not allow a tax exemption on interest income if the corresponding interest deduction is denied due to thin capitalisation rules, and the subsidiary is situated in another member state; the exemption is given where the subsidiary is established in Denmark.

The AG concluded that this difference in treatment did not constitute a restriction on the freedom of establishment. Even if that were the case, the restriction could be justified based on the balanced allocation of taxing rights as well as the coherence of the tax system.

- Link to the [opinion](#) (not yet in EN, but available in several other languages)

#### **4. European Commission publishes country-specific recommendations on tax policy**

On 18 May 2016, the European Commission tabled country-specific recommendations in the framework of the European Semester on economic policy coordination for the next 12 to 18 months including tailored policy guidance to EU member states.

A thematic fiche on taxation features tax and revenue statistics as well as general trends and policy challenges. Recommendations explore options to improve current tax systems in order to become more-job and investment friendly while also ensuring fair contributions. Recent tax reforms in the EU member states are also highlighted and examples cited on good practices.

In its Communication on the country-specific recommendations, the Commission highlights further growth potential by improving the performance of business services. The Commission finds that the number of restrictions in services sectors remains high in several EU member states and believes that this negatively impacts investment, growth and employment. The range, level and number of restrictions prevailing in business services and regulated professions, especially in engineering, accounting, architecture and legal services, requires attention in particular towards Belgium, Germany, Luxembourg and Austria.

- European Semester Thematic Fiche Taxation, tax and revenue statistics: [EN](#)
- European Semester, 2016 Recommendations thematic website: [EN](#)

#### **5. VAT Expert Group issues opinion criticising ideas for generalised reverse charge mechanisms**

On 20 May 2016, the VAT Expert Group, an advisory body to the European Commission in which CFE is represented, has issued a statement supporting the Commission's intention to implement the destination principle in B2B cross-border trade, proposed in the Commission's VAT Action Plan of 7 April 2016, and to make more effective use of existing international cooperation between tax administrations to tackle VAT fraud. The statement also contains a warning against some member states pushing for a generalised reverse charge system, stating that this would risk the development of a coherent, harmonised and fraud proof VAT system; indeed such inconsistencies would create additional opportunities for fraudsters.

- VAT Expert Group opinion: [EN](#)

#### **6. Commission updates basic information for micro-e-businesses**

The European Commission has updated its guidance for micro-businesses supplying electronic, telecommunications and broadcasting services. Since 2015, these services are to be taxed where the recipient -a consumer or a business- resides. The updates responds to calls from micro-enterprises that find the new rules difficult to comply with.

- Updated guidance: [EN](#)

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*The selection of the remitted material has been prepared by Piergiorgio Valente / Filipa Correia / Rudolf Reibel /  
Andrea Morass*

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