



1 August 2016

1. Commission consults on VAT for e-publications

The European Commission has opened a public consultation on reduced VAT rates for electronically supplied publications. As the Commission points out, since the entering into force of the new VAT place of supply rules for electronic services on 1 January 2015, VAT is levied where the customer is based. As suppliers of e-services are no longer able to benefit from a low VAT rate in their state of establishment, the Commission considers that there is no longer a need to limit tax competition among member states by preventing e-publications from being taxed at the same rate as printed publications. The Commission is thus considering allowing member states more flexibility. Comments can be sent until 19 September 2016.

- Consultation website: [EN](#) (FR DE available)

2. OECD consults on addressing BEPS involving interest in the banking and insurance sectors

On 28 July 2016, the OECD released for comments a Discussion Draft on a sector-specific approach to banks and insurance companies with regard to BEPS through interest deductions.

In October 2015, the OECD Final Recommendations on BEPS Action 4 set out a common approach including a 'fixed ratio rule' which limits an entity's net interest deductions to a set percentage of its tax-EBITDA and a 'group ratio rule' to allow an entity to claim higher net interest deductions, based on a relevant financial ratio of its worldwide group.

That report held that countries could exclude banks and insurance companies from these rules, due to the particularities of these sectors, i.e. the fact that banks and insurance companies typically have net interest income rather than net interest expense, the different role that interest plays in banking and insurance compared with other sectors, and the fact that banking and insurance groups are subject to regulatory capital requirements, leading to a lower overall BEPS risk for these companies.

The Discussion Draft now proposes a specific treatment for this sector, including holding companies, group service companies and companies engaged in non-regulated financial or non-financial activities.

For entities in a banking or insurance group other than banks and insurance companies, the Discussion Draft recommends applying the fixed ratio rule and group ratio rule.

Comments should be submitted by 8 September 2016.

- Press release: [EN](#)
- Discussion Draft: [EN](#)
- OECD BEPS timetable for planned stakeholder input: [EN](#)

3. CJEU accepts Italian limitations to right to VAT deduction

On 28 July 2016, the EU Court of Justice (CJEU) delivered its judgment in the Italian preliminary ruling case *Astone* (C-332/15), stating that a member state may generally provide for a limitation period for exercising the right to deduct VAT. National law may also allow the tax authorities to refuse VAT deduction when a person has fraudulently failed to fulfil most of his formal requirements.

- Judgment: [EN](#) (all EU languages)

4. CJEU: Human rights do not prohibit VAT on lawyers' services

On 28 July 2016, the CJEU delivered its answer to a request for a preliminary ruling (C-543/14) from the Belgian Constitutional Court concluding that neither the European Convention of Human Rights nor the EU Charter of Fundamental Rights prevent legal services provided by lawyers from being subject to VAT. This is irrespective of whether the recipient of the services qualifies for legal aid. Belgium had been allowed to continue such VAT exemption under a transitional provision but had abolished the exemption with effect from 2014. Belgian bar associations and Human Rights groups had argued that the price increase resulting from this VAT change hampers access to justice.

- Judgment: [EN](#) (All EU languages)
- Opinion of Advocate-General Sharpston, 30 March 2016: [EN](#) (All EU languages)

5. State Aid: Commission authorises Belgian alternative income tax regime for diamond traders

On 29 July 2016, the European Commission concluded that planned Belgian corporate tax provisions applicable to the wholesale diamond sector are in line with EU state aid rules, as they do not selectively favour certain companies and therefore involve no state aid within the meaning of EU rules.

The country had requested clearance from the Commission in 2015 for its plans to introduce this specific regime which takes account of the difficulty for the Belgian tax administration to assess and correct the value of diamond inventories through tax audits, and of the fact that diamonds at wholesale level are bought and sold as commodities, which adds to the complexity of tracing individual stones in traders' accounts. The new Belgian "Diamond Regime" seeks to address this difficulty by introducing a method to calculate the income tax base of diamond traders as a fixed percentage of turnover.

The changes are estimated to lead to a tripling of income tax revenues from diamond traders.

- Press release: [EN](#) (FR DE NL available)

6. Commission publishes new report on implementation of VAT MOSS rules

On 26 July 2016, the European Commission has published an updated report on the national implementation of the EU MOSS (mini one stop shop) rules that apply to electronic, telecom and broadcasting services to consumers in the EU. Among other, the report covers use and enjoyment rules, VAT rates and B2C invoicing obligations. The update is dated 1 April 2016.

- MOSS report (Excel file) : [EN](#)
- Overview: [EN](#)

7. Free VAT e-learning modules in 15 languages

The European Commission has made its twelve e-learning modules on the EU VAT rules available in 15 languages.

- All modules : [EN](#)

8. List of EP “Panama” Committee co-ordinators and co-rapporteurs

On 27 July 2016, the European Parliament’s PANA “Committee of Inquiry on money laundering, tax avoidance and tax evasion” published a list of co-ordinators and co-rapporteurs from the Parliament’s different political groups. On 12 July, the Committee had elected Werner Langen (EPP, Germany) Chairman for a term ending on 8 June 2017. As Vice-Chairs, the Committee elected Ana Gomes (S&D, Portugal), Pirkko Ruohonen-Lerner (ECR, Finland), Fabio De Masi (GUE/NGL, Germany) and Eva Joly (Greens/EFA, France). The next meeting is scheduled for September.

- List of PANA chairs and co-ordinators: [EN](#)

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