CFE's Tax Top 5

Key tax news of the week

03 July 2017

As the 4th Anti-Money Laundering Directive becomes fully effective, European Commission publishes supranational risk report

The European Commission published on 26 June the Supranational Risk Report pursuant to the Fourth Anti-Money Laundering Directive, which is now fully effective. The Fourth Anti-Money Laundering Directive reinforces existing EU rules on the risk assessment obligations for professionals, setting clear transparency requirements about the beneficial ownership of companies. The Directive also aims to facilitate information exchange between Financial Intelligence Units in identifying and following suspicious transactions.

The Supranational Risk Assessment report that was due pursuant to the Directive will support member states in addressing money-laundering risks in practice. The Report includes mapping of risks per relevant area, recommendation for member states how to identify and address the risks accordingly with focus on the supervisory activities.

The European Parliament and the Council are already at advanced stage of discussions on new measures that reinforce the Directive.

Vera Jourova, Commissioner for Justice, Consumers and Gender Equality said: “Terrorists and criminals still find ways to finance their activities and to launder illicit gains back into the economy. The new rules as of today are crucial to closing further loopholes. I urge all Member States to put them in place without delay: lower standards in one country will weaken the fight against money laundering and terrorist financing across the EU. I also call for quick agreement on the further revisions proposed by the Commission following the "Panama Papers" to increase transparency of beneficial ownership."

Trinidad and Tobago listed by OECD as the only jurisdiction failing to make sufficient progress towards satisfactory implementation of the tax transparency standards

The OECD Global Forum on Transparency and Exchange of Information for Tax Purposes has released its list of non-cooperative jurisdictions in the run-up to the meeting of G20 leaders in Hamburg on 7 and 8 July.

As part of an initial review, 15 countries were listed as having less than satisfactory ratings. The Global Forum established a fast-track review process to evaluate the progress of these countries prior to the G20 summit. Following this procedure, 13 countries were upgraded to being fully compliant with international tax transparency standards, 1 country was upgraded but classified as only being partially compliant. However, the OECD listed Trinidad and Tobago as being less than compliant and therefore on the so-called “blacklist” or “tax havens”.

The OECD has been criticised by NGOs such as Oxfam on the grounds that it implies that only 1 country in the world is a “tax haven” or is failing to be fully transparent on tax matters.

EU Commission hosts two-day conference on tax fairness – Estonia highlights need for conversation on taxation and digitalisation

The two-day conference discussed topics such as how taxation policies and tax fairness can and should go hand in hand. Panellists from civil society organisations, academia and business groups discussed and debated topics such as how best to apply the principle of fairness to tax policy making’ and the importance of the stakeholder’s role in shaping taxation policies.

The keynote address was given by Commissioner Pierre Moscovici. The Commissioner stated that he believed a competitive and fairer Europe are two sides of the same coin. He highlighted the many EU initiates in the taxation field that have recently been implemented and proposed to tackle tax evasion and fraud with the aim of increasing fairness in the taxation system. He outlined the Commission’s plans to publish a new VAT package in Autumn to overall the outdated and unduly burdensome current VAT regime, which was initially intended to only be transitional.

The issue of the digital economy and the unique tax consequences resulting from increased digitalisation was highlighted numerous times throughout the conference. A representative from the Estonian Finance Ministry stated that it would be a top taxation priority of the Estonian Presidency to encourage a conversation about how best to deal with the digital economy and in particular how best to tackle the difficult and complex question of permanent establishments in the digital market.

New compromise text on public country-by-country reporting released

On 22 June 2017, the Council of the European Union issued a compromise text for the proposal for a Directive on public country-by-country reporting. The Presidency compromise document highlights the changes compared to the Commission’s original proposal.

The European Parliament will be voting on public country-by-country reporting this week in order be able to enter into dialogue with the Council on this issue.

The two institutions have opposing positions on some central elements of the proposals including the threshold multinationals must reach to come within the proposals – with the Parliament proposing a 40 million euro threshold as opposed to the much higher 750 million euro threshold being proposed by the Council. In addition, the latest compromise text sees the introduction of a safeguard clause whereby multinationals will not be obliged to publish information which would be seriously prejudicial to the commercial position of the undertakings to which it relates.

A copy of the compromise text is available here

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