CFE's Tax Top 5
Key tax news of the week

10 July 2017

EU Parliament Committee of Inquiry calls for regulation of tax intermediaries

The European Parliament Committee of Inquiry into contraventions of EU law arising from the Panama Papers revelations called for 'regulation of tax intermediaries, regretting that intermediaries are currently regulated in non-harmonious manner across the EU'. The draft Report of the Committee of Inquiry published on 28 June is accompanied by draft parliamentary resolution with Recommendations for the European Commission and the Council of the EU. The Parliament urges for a shift from self-regulation to 'appropriate supervision and state-controlled regulation' for currently self-regulated professionals by way of a separate and independent national regulatory bodies. Additionally, the draft report calls for 'stronger sanctions' against intermediaries including 'naming and shaming'. Creation of EU-wide framework for compulsory codes of conduct for the intermediaries was also recommended, with the draft Recommendations urging the European Commission to clarify what is legal, illegal and immoral in the context of tax evasion and tax avoidance practices. The draft-Recommendations urged the Council to 'solve the transfer-pricing issue' by adopting the CCCTB proposals 'rapidly' and to put forward proposal for a European FATCA, thus ensuring reciprocity regarding exchange of information.

The European Parliament is scheduled to vote on the draft report today.

MNEs to publicly disclose CbCR data for each country they operate, MEPs vote

The European Parliament Committees voted on 4 July to amend the original Commission proposal on public country-by-country reporting ("CbCR"). Under the proposed changes, multinational companies with a global turnover above €750 million per year or more will publish CbCR data in each country they operate in the world, and not only for EU countries and tax havens as indicated in the original European Commission proposal. Under the voted text, the income tax information of multinational companies will be available publicly on a standardised template, stored in a registry which is to be maintained by the European Commission. In a compromise among the various political groups in the European Parliament, MEPs voted to protect commercially sensitive information by allowing Member states to grant exemptions from the public CbCR requirements. Data shall still be confidentially submitted from the Member state to the European Commission.

After approving the report by 534 to 98 votes with 62 abstentions, the report is sent back to the Committees (ECON, JURI and DEVE) to commence negotiations with Council in first reading on the basis of a plenary mandate.

Estonia sets out EU presidency priorities in respect of taxation

Estonia took over the next six months presidency of the European Union from Malta on 1 July 2017, setting out the presidency priorities in its Working programme. In respect of tax, the Estonian EU presidency plans to 'address the issues of tax evasion and tax avoidance, that undermine the work and competitiveness of the honest operators.'

Estonia intends to relaunch negotiations on the VAT modernisation in relation to cross-border e-commerce, combating VAT fraud and to conclude discussions on VAT rates for e-books and e-publications.

The Estonian presidency confirmed that the EU shall work towards agreement in the Council of the European Union on a common EU list of non-cooperative jurisdictions for tax purposes, and launch Council discussions on the mandatory disclosure rules of aggressive tax avoidance schemes.

European Commission to present 'intermediaries' proposal to the Council

The Council of the EU sitting as ECOFIN will hear today the proposal from the European Commission on a directive on intermediaries, establishing mandatory disclosure rules at EU level.

According to the background brief, Member states find it increasingly difficult to protect their tax bases from erosion, as tax planning structures become ever more sophisticated. The proposal gathers from media revelations such as the April 2016 'Panama Papers' that have exposed how some intermediaries actively assist companies and individuals to escape taxation, often through complex cross-border schemes. The proposal is aimed at preventing such planning by increased scrutiny of their activities.

Under the directive, certain types of cross-border tax planning schemes would have to be reported to the tax authorities before being used. Member states would be required to automatically exchange the information they receive through a centralised database. This would enable an early warning on new risks of tax avoidance and for measures to be taken to block harmful arrangements. Member states would be obliged to impose penalties on those companies that do not comply with the transparency measures, thereby creating a deterrent. Under the proposal, the reporting requirements would enter into force on 1 January 2019. Member states would be obliged to exchange information every three months thereafter. To adopt the directive the Council requires unanimous agreement of the Member states, after consulting the European Parliament.

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