CFE's Tax Top 5

Key tax news of the week

28 August 2017

European Commission advances with EU blacklist work

The European Commission is advancing with its work on establishing a list of non-cooperative jurisdictions for tax purposes. According to a document analysed by Bloomberg, EU member states are considering options for various sanctions for blacklisted countries, including a flexible approach that would allow Member states to impose additional sanctions. The document operates with three approaches: flexible, rigid and toolbox approach that would be addressed at specific issues.

Four types of sanctions are considered by the EU: imposition of withholding taxes, new CFC rules, limitations of the participation exemption regime, and, eliminating deductible costs such as royalties.

The European Commission is screening 92 jurisdictions, including the United States and Switzerland, for compatibility with tax transparency and corporate tax criteria. The document, on basis of which the EU Code of Conduct group will analyse the countries' compliance, forms a basis for further negotiations.

By way of background, on 8 November 2016, the Council agreed on the criteria and the process for the establishment of an EU list of non-cooperative jurisdictions for tax purposes. Council adopted conclusions on: criteria for the screening of third country jurisdictions, and, guidelines on the process for selecting and screening jurisdictions. Screening is due to be completed by next month, so that Council can endorse the list of non-cooperative jurisdictions by the end of 2017.

OECD Global Forum releases tax transparency ratings for 10 jurisdictions

The OECD Global Forum published the new round of peer review reports on tax transparency compliance of 10 jurisdictions. The process was launched in mid-2016 following a six-year process during which the Global Forum assessed the legal and regulatory framework for information exchange (Phase 1) as well as the actual practices and procedures (Phase 2) in 119 jurisdictions worldwide.

Ireland, Norway and Mauritius received an overall rating of 'Compliant' and six other jurisdictions, including Australia, Germany and Canada have room to improve with rating of 'largely compliant'.

The review forms part of the implementation of the CRS, the common reporting standard, with CRS exchanges planned to commence in September 2017. The monitoring and review process is intended to ensure the effective and timely delivery of commitments made, the confidentiality of information exchanged and to identify areas where support is needed. The United States is not participating in the system.

EESC public hearing on taxation of the sharing economy

The European Economic and Social Council was commissioned by the Estonian EU Presidency to come up with a study on the Taxation of the sharing economy. The exploratory opinion on the topic of "Taxation of the sharing economy – analysing of possible tax policies faced with the growth of the sharing economy" is analysing how the new models of business, work, and consumption in the sharing economy can be taxed accordingly.

The Section for Economic and Monetary Union and Economic and Social Cohesion (ECO) of the European Economic and Social Forum is organising a public hearing on Taxation of the sharing economy on 13 September 2017, 09:00 -13:00 in Tallinn, Estonia. One could also participate in the debate via Twitter: @EESC_ECO using the hashtags #Tax #SharingEconomy.

New CCTB study published in Commission taxation papers

European Commission Taxation Papers are intended to increase awareness and seek comments and suggestions for further analyses in a particular policy area. A recently published paper from DG TAXUD provides an assessment of R&D provisions under a Common Corporate Tax Base (CCTB). The EC proposal for an EU wide Common Consolidated Corporate Tax Base (CCCTB) includes an R&D incentive. The paper presents the rationale for the inclusion of R&D provisions, quantifies the subsidy implied by alternative options using the user's cost approach and approximates aggregate impacts by means of simple extrapolations from elasticities found in literature. The study find that the CCCTB without an R&D incentive would significantly deteriorate incentives to invest in R&D. As an alternative, the paper argues that the level of support should be ambitious to address the pressing need in the EU to invest more, stay globally competitive and reach the EU's target of investing 3% of its GDP in R&D. To take full advantage of such opportunities, EU member states need to mobilise a range of policies and engage in complementary non-tax interventions in their national innovation systems.

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