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CFE's Tax Top 5

Key tax news of the week

Brussels, 12 February 2018

Commissioner Moscovici announces that European Commission will publish proposals on the fair taxation of the digital economy in March

In an interview to a French newspaper, the Commissioner reiterated the need for new proposals to tax large technology companies that are not currently paying their fair share of tax in Europe. He stated that the new proposals would be issued by the Commission in March.

Meanwhile, the Irish Minister for Finance addressed the Irish position on the fair taxation of the digital economy. Mr. O 'Donoghue stated that in dealing with the tax challenges of the digitalised economy, of key importance is agreeing a definition for a digital transaction. He stated that to speak of "digital companies" or the "digital economy" fails to recognise that these are not external to the economy as a whole and that digital transactions form part of a wide range of business transactions in the modern economy. Therefore, it is essential to agree a definition of a digital transaction.

The Minister also highlighted the importance of taxing where value is created and the necessity to gain global support for any new rules.

EU Parliament agree to establish TAXE 3 investigation to probe tax evasion & avoidance

On 7 February, the European Parliament voted in favour of beginning a new investigation into financial crimes, tax evasion, and tax avoidance. The inquiry will seek to further the work of its predecessor inquiries, TAXE 1 and TAXE 2 and the work carried out by the PANA committee.

According to its the terms of reference, the inquiry, will include a focus on tax avoidance and evasion related to the digital economy, circumvention of VAT, methods used in the EU tax blacklist of third-country tax havens, EU progress in removing harmful tax regimes, and the impact of bilateral tax treaties.

The OECD announces further developments in BEPS implementation

The OECD Inclusive Framework on BEPS has published additional guidance on country-by-country reporting regarding two specific issues: the definition of total consolidated group revenue and whether non-compliance with the confidentiality, appropriate use and consistency conditions constitutes systemic failure.

In addition, the Inclusive Framework published a document containing the compilation of approaches adopted in jurisdictions in circumstances where the guidance allows for alternative approaches.

The Inclusive Framework has also recently published results in the ongoing monitoring of preferential regimes as part of BEPS Action 5. A regime in Barbados was found to be "potentially harmful" whilst a regime in Canada was found to be "potentially but not actually harmful". The OECD has updated the table of results from preferential tax regimes.

European Commission releases January Infringements Package – Includes a letter to U.K. regarding use of the VAT MOSS system

The January infringements package included two cases related to taxation and customs. The Commission sent a letter of formal notice to the UK in relation to the MOSS, and in particular for failing to collect and transmit to other Member States the bank account details for each taxable person registered for MOSS. If the UK fails to act in the next two months, the Commission may send a reasoned opinion to the UK authorities.

The Commission has issued a reasoned opinion to the Italian authorities requesting the removal of a restriction on the free movement of capital in relation to investment in real estate. The law in question excludes non-Italian EU citizens who do not intend to settle full time in Italy from availing of a reduced rate on the purchase of their first house in Italy.

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