CFE tax advisers europe

# CFE's Tax Top 5

Key tax news of the week

**Brussels, 26 February 2018**

**EU Commissioner Moscovici: "Digital taxation no longer a question of 'if'"**

Speaking at a digital conference in Brussels last week, Commissioner Moscovici told attendees that the question of whether or not there would be a European digital tax was no longer an "if" question, stating that the EU will "lead by example, by bringing credible answers to an urgent problem", the Financial Times reported.

Commissioner Moscovici referred to the "deep schism between where digital profits are generated and where they are taxed", and reportedly said an "ambitious, workable and effective international approach is the best solution" to these issues, inviting business to be involved in reform measures.

The BBC has also reported that the Financial Secretary to the UK Treasury (the UK Finance Ministry), Mel Stride, in an interview with the BBC has said that digital companies should pay a "fair" amount of tax, and that a new tax on revenue was the "preferred option" of the Treasury. Mr Stride indicated that the government was prepared to "unilaterally enter into various changes" if partners in the EU and OECD cannot come to an international solution.

These comments come ahead of the EU Commission proposal for reform, anticipated in late March, and the OECD interim report, expected in April. The Commission last week released submissions it received on the EU consultation on the fair taxation of the digital economy. Pascal Saint-Amans, director of tax policy at the OECD, when questioned by the BBC concerning the comments of Mr Stride warned that, "unilateral measures may trigger some form of tax wars". Mr Saint-Amans opined that digital business should pay taxes where value is created, and that what is needed is an agreement on an international level as to where value is created for the purposes of digital taxation.

The UN Committee of Experts on International Cooperation in Tax Matters have also published a report on its fifteenth session, held in Geneva in October 2017, which details that a new Subcommittee on Tax Challenges Related to the Digitalisation of the Economy was formed at the session. The Subcommittee is headed up by Nigerian tax administrator, Babatunde Fowler, and Aart Roelofsen, co- chair of the OECD Working Party 1 dealing with Tax Treaty Issues related to the Tax Challenges of the Digitalised Economy who is also a speaker at the upcoming CFE Forum this year entitled 'Fair Taxation of the Digitalised Economy'.

**EU Code of Conduct Group Release Work Programme**

The EU Council Code of Conduct Group (Business Taxation) released a Work Programme last week, which primarily sets out action to be taken concerning non-cooperative and non-EU tax jurisdictions, as well as future work on assessing EU countries' actions concerning harmful tax measures.

The EU Council also published an [update](#) concerning the non-cooperative jurisdictions for tax purposes, the so-called "blacklist". The Council endorsed de-listing 8 jurisdictions in January, on the basis of their commitment to implement tax good governance principles of transparency, through implementing automatic exchange of information, and becoming members of the Global Forum or ratifying the OECD Multilateral Convention on Mutual Administrative Assistance, fair taxation by committing to abolish identified harmful tax regimes, and to implement anti-BEPS measures. The update sets out which countries have committed to the various steps.

The group will monitor developments in administrative practices of EU Member States, and review the tax measures notified by Member States under the standstill and rollback process for the year ending 31 December 2017.

A progress report for the ECOFIN Council will be prepared concerning non-cooperative jurisdictions before summer 2018, and the Group will be monitoring actions taken by countries to improve tax measures to include in their report.

**European Parliament ECON Committee – CCCTB, CCTB & Digital Presence**

The Common Consolidated Corporate Tax Base report concerning a single EU corporate tax regime was voted on by the European Parliament Economics and Monetary Committee (ECON) last Wednesday, and was approved by 38 votes to 11, with 5 abstaining from the vote. The Committee also approved the Common Corporate Tax Base report, concerning the basis for a harmonised corporate tax system, by 39 votes to 12, with 5 abstentions from that vote.

The Committee discussed issues surrounding the future of EU tax policy and taxation of the digital economy raised by the proposal benchmarks, particularly concerning the digital presence of a company in a member state and whether this would make it liable for tax, irrespective of it having a fixed establishment in that country. The Committee also urged the Commission to monitor technical standards and digital content collected by companies to assist with better identifying where revenue is created, and how it should be taxed.

**OECD Taxation Working Paper – Loss Carryover Provisions**

On 22 February 2018, the OECD published a [working paper](#) concerning loss carryover provisions. The paper examines two tax policy indices which reflect the effects of carryover provisions on tax symmetry and stabilisation across both OECD and non-OECD countries.

The paper sets out that the tax symmetry index captures the effectiveness of carryover provisions, and the stabilisation index captures the proportion of adverse revenue shock on loss-making firms which is then absorbed by the corporate tax system. The results show that only 18 of 34 countries subject to examination by the indices provide unlimited carry-forwards, and that most countries do not index tax losses for inflation. The indices suggest that this has significant impact on tax symmetry and stabilisation.

**UK Government Paper on Withdrawal Agreement Implementation Period**

On 21 February, the UK published a document prepared for the March EU27 Summit setting out its approach to the legal text concerning the implementation period in the Withdrawal Agreement. The document states the UK believes "the duration of the implementation period should be determined by how long it will take to prepare and implement the new processes and systems that will underpin future partnership", and that it "wishes to discuss with the EU the assessment that supports its proposed end date". A EU27 meeting took place on 23 February concerning the EU long-term budget. President Tusk discussed with attendees how he intends to prepare draft Brexit guidelines ahead of the summit in March.

****

*The selection of the remitted material has been prepared by*
*Piergiorgio Valente/ Aleksandar Ivanovski/ Mary Dineen/ Brodie McIntosh/ Filipa Correia*

*Follow CFE on LinkedIn and Twitter*