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Nordic Countries Oppose EU Commission Interim Proposals on Digital Tax

Finland, Norway and Sweden have [published a joint statement](#) on the Government Offices of Sweden website setting out their position concerning taxation of the digital economy. The countries stated that although they are committed to addressing tax avoidance, their view is that the EU Commission proposals for taxation of the digital economy focus on changing current allocation rules for taxation rather than avoidance issues.

In the statement, the countries set out their position that a shift in taxation rights based on the location of the digital user in value creation is a deviation from taxation principles that needs to be agreed at an international level. The countries noted that a digital services tax applied unilaterally by the EU on turnover without regard to profit will be difficult to enforce and harm international cooperation, as well as increase the risk of corresponding destination-based taxation measures being introduced by other countries.

The Nordic countries recommend that a thorough analysis of value creation in digital business models be undertaken at OECD level before deviating from internationally established principles, and expressed support for work in the area at the OECD to be accelerated.



ECJ Rule that the US Cannot Intervene in Apple State Aid Case

The Court of Justice of the European Union has [upheld the decision](#) of European Union General Court, determining that the US could not establish the requisite interest needed in order to intervene in proceedings related to the decision of the European Commission taken in August 2016 that Apple's Irish entities owed over 13 billion Euros in taxes for state aid incorrectly granted to Apple which artificially lowered the entities' profits. The decision is currently being appealed by Apple entities in Ireland.

The US argued that tax revenues would be impacted by the recovery proceedings in Ireland, on the basis that foreign tax credits would likely offset US tax collected on future repatriation of profits. However, the CJEU upheld the decision of the General Court that the US could not prove the company would repatriate profits, and thereby could not establish the necessary direct interest to be able to intervene in proceedings.

In relation to the recovery of tax at stake in the dispute, Reuters has [reported](#) that the Irish Finance Minister has confirmed that Apple has now paid the first installment of 1.5 billion Euros into the escrow account set up to hold the 13 billion Euros of total disputed taxes until the dispute is finalised.



US Imposes Import Tariffs on EU

On 31 May, the US announced that it would impose duties on steel and aluminium imported from the EU, Canada and Mexico, at rates of 25% and 10% on each product respectively, as of 1 June 2018. These tariffs will affect exports from the EU which were worth over 6.4 billion Euros in 2017.

In a [press release](#) issued on the same day, the EU stated it would launch legal dispute settlement proceedings in the WTO on 1 June against the US concerning the tariff, as part of coordinated action with other affected parties. Speaking about the measures, EU President Jean-Claude Juncker stated that “the EU believes these unilateral US tariffs are unjustified and at odds with World Trade Organisation rules. This is protectionism, pure and simple”.

EU Commissioner for Trade, Cecilia Malmström, stated the EU would “impose rebalancing measures and take any necessary steps to protect the EU market from trade diversion caused by these US restrictions.” [A list of US products](#) upon which rebalancing tariffs will be imposed was agreed and notified to the WTO by the EU in May. A formal decision to proceed with the measures will be agreed with Member States in the coming weeks, and an investigation is already ongoing concerning whether safeguard measures will be necessary to protect EU steel and aluminium markets.



OECD Multilateral Convention Update

Paraguay has become the 119th jurisdiction to sign the [Multilateral Convention on Mutual Administrative Assistance in Tax Matters](#). The multilateral tax treaty allows jurisdictions to update their existing double tax treaties and transpose measures agreed in the BEPS project without further need for bilateral negotiations, and aims to increase transparency and further efforts to reduce cross-border tax evasion.

Additionally, Peru has now deposited its instrument of accession for the MLI, which will enter into force in the country on 1 September 2018. The MLI implements the [Standard for Automatic Exchange of Information](#) developed by the OECD and G20 countries as part of the BEPS project, through which over 100 jurisdictions will automatically exchange information.



EU Proposal to Reform Alcohol Excise Duty

The EU Commission has [proposed a new EU-wide certification for small and artisan alcohol producers](#), to allow access to lower duty rates across the EU. Commissioner for Economic and Financial Affairs, Pierre Moscovici stated that the EU’s rules on excise duties on alcohol are in “urgent need of an update so that they can keep pace with the challenges and opportunities offered by new technology and trade developments.”

The proposal would put in place a uniform certification system confirming independent small producers' status throughout the European Union and reduce IT compliance standards, thereby reducing administrative and compliance costs for SMEs. The proposal would also overhaul the classification of cider across the EU, clarify manufacturing processes for alcohol in the EU and increase the threshold for lower strength beer that can benefit from reduce rates from 2.8% to 3.5%.

The proposals will now be submitted to the European Parliament for consultation and to the Council for adoption.



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