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EU Publishes 2018 Taxation Trends Report

The European Commission has [published a report](#) setting out an analysis of taxation trends observed within the European Union, Iceland and Norway, based on statistical and economic analysis of the tax systems within these countries. Key taxation indicators were examined for the purposes of the report over a period from 2004 to 2016.

The report concludes that tax revenues as a percentage of GDP rose in 19 of the Member States over the period, although taxation rates differed dramatically between jurisdictions. Other key findings were that labour tax revenues have fallen from 2009 to 2016, that property tax revenues have continually grown since 2009, that VAT rates are unchanged in 2018, and that corporate income tax has decreased slowly from 2009 onwards, but has increased when measured against GDP.



EU Council's Economic and Financial Affairs Agenda

The Council of the EU, at its Economic and Financial Affairs (ECOFIN) meeting on 22 June, is expected to approve recommendations for member states' economic and fiscal policies arising from the 2018 [European Semester reports](#). Key economic indicators that signify the existence of aggressive tax planning were examined as part of the Semester reports, and the Commission identified indicators as being present in Belgium, Cyprus, Hungary, Ireland, Luxembourg, Malta and The Netherlands. Indicators such as foreign direct investment, corporate revenue and net royalty payments as a percentage of GDP, bilateral import price anomalies and dividend repatriation routes were examined as part of the reports.

The [meeting agenda](#) also tables for discussion the EU Commission's proposed VAT directives concerning the VAT standard rate, and increased administrative cooperation aimed at reducing VAT fraud. These directives form part of the Commission's VAT Action Plan for a definitive EU VAT system.



OECD Updates

On 13 June, the OECD [published a paper](#) presenting a potential reform package for personal taxation in Slovenia, prepared in particular to address issues relating to its ageing population. The report sets out the OECD perspective that Slovenia has a "window of opportunity for a comprehensive tax reform" to rebalance levels of tax funding for pensions and the health system away from employee social security contributions towards personal income tax, in a tax neutral manner. It has been designed to incentivise workers to enter the labour force sooner, and remain in the workforce for longer. The report also identifies opportunities to rebalance capital income taxes and broaden the VAT base within the country.

Additionally, on 11 June, Liberia became the 122nd jurisdiction to sign the OECD's [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.



TAX3 Paradise Papers Hearing

European Parliament's Committee on financial crimes, tax evasion and tax avoidance (TAX3) will hold a [hearing on 21 June](#) examining the outcomes of the Paradise Papers. The two panels at the hearing will examine whether the Paradise Papers revealed EU tax legislation loopholes, and how the European Union ought to address these loopholes, as well as other aggressive tax planning schemes within the EU. Representatives from the OECD and multinationals, including McDonald's and Nike, will be participating in the hearing.

The TAX3 Committee seeks to further the work of its predecessor inquiries, TAXE 1 and TAXE 2, as well as work carried out by the PANA committee. The inquiry is focusing on tax avoidance and evasion related to the digital economy, circumvention of VAT, EU progress in removing harmful tax regimes, and the impact of bilateral tax treaties.

The TAX3 Committee's draft final report which will cover the above issues will be available on 9 November 2018.



EU and Australia Enter into Trade Negotiations

Following the conclusion of negotiations with Japan and Mexico over the past 12 months, and the entry into force of the EU-Canada trade agreement in 2017, the EU has now [published a press release](#) stating that Australia and the EU have entered into trade agreement negotiations. The negotiations reflect the EU agenda for fair and open trade, and engagement in the Asia-Pacific region. The decision authorising the negotiations to be opened was approved by the EU Council on 22 May 2018.

Australia is the EU's second largest trade partner. Of the negotiations, EU Commissioner for Trade Cecilia **Malmström** stated *"The result of our negotiations will be an agreement that offers clear benefits for both the EU and Australia. It will boost economic opportunity for businesses, both big and small, and create jobs."*

The first formal round of talks will take place in Brussels from 2 to 6 July 2018.