

# CFE's Tax Top 5

## KEY TAX NEWS OF THE WEEK

BRUSSELS | 27 AUGUST 2018



### EU-Norway VAT Agreement to Enter Into Force

The [EU-Norway agreement](#) on VAT administrative cooperation to fight VAT fraud shall enter into force on 1 September 2018. The agreement has been published in the Official Journal of the European Union on the 1 August.

The cooperation Agreement sets out rules and procedures for exchange of information regarding VAT assessments, monitoring the application of VAT and combating VAT fraud. It also lays down rules for the recovery of claims relating to VAT and administrative penalties, fines, fees and surcharges relating to the claims imposed by the tax administrative authorities or judicial bodies at the request of competent administrative authorities, as well as interest and costs relating to such claims.



### G20 Confirms the Importance of the Digital Economy

The G20 Digital Economy Ministerial Meeting in Argentina this weekend saw the issuing of a [declaration](#) that reflects the G20's commitment towards promoting "policies and actions that catalyse digital transformations."

Built upon the consensus achieved under the Chinese and German presidencies, the document acknowledges that digitalisation is a powerful enabler of inclusive economic growth. It encourages G20 countries to better understand new business models in order to accelerate the digital economy in an inclusive, transparent and competitive manner.



### HM Treasury: UK GDP 7.7% Lower in 'No-Deal' Brexit Scenario

In a [letter](#) to the Treasury Committee of the House of Commons, the lower house of Parliament, Chancellor Philip Hammond has set out a provisional estimation that in a no-deal/ WTO Brexit scenario, the UK GDP would be 7.7% lower (range 5.0%-10.3%) relative to a status quo baseline. This represents the potential expected static state around 15 years out from the exit point. The analysis did not estimate the path the economy and different sectors might take under no-deal and the potential for short-term disruption.

The analysis sets out an expectation that the largest negative impacts on the UK economy will be felt in the North East of England and Northern Ireland. Under a no deal/ WTO scenario chemicals, food and drink, clothing, manufacturing, cars, and retail were estimated to be the sectors most affected negatively in the long-run.



## Brexit: UK Government Publish 'No-Deal' Technical Papers

The UK Government published technical papers that set out guidance for citizens and business in the event of exiting from the European Union on 29 March 2019 without any agreement. The UK Government maintains that a 'no-deal' scenario remains unlikely given the mutual interests of the European Union and the United Kingdom in securing a positive outcome in the ongoing negotiations.

### ***VAT: Current system to be maintained***

In the area of VAT, the UK will continue maintaining its current VAT system aligned as close as possible to the European system, with expected changes to the VAT rules and procedures that apply to transactions between the UK and EU member states in the event of a 'no-deal' Brexit.

This [technical notice](#) details the main VAT issues that will affect UK businesses trading with the EU in goods and services, highlighting the changes that companies will need to prepare for when importing goods from the EU, exporting goods and supplying services to the EU, and utilising the EU's IT systems, such as MOSS.

### ***State Aid: CMA to Take Over EU Commission's Regulatory & Enforcement Powers***

In the [State aid area](#), the technical paper published by the UK Government sets out that the UK intends to transpose existing EU rules into the UK legislation, effectively replicating existing block exemptions as allowed under the current European laws. The UK government maintains that a rigorous State aid control system will continue to provide benefits for consumers, businesses and the society at large.

At present, the regulatory and enforcement role concerning the State aid rules is centralised at EU level and exercised by the European Commission, DG COMP. In a 'no-deal' scenario, the Competition and Markets Authority (CMA) will take on the role of enforcement and supervision for the whole of the UK. As of 30 March 2019, any complaints from businesses about unlawful State aid shall be made to the CMA. Further guidance from the CMA is expected to be published in early 2019.

It is not yet clear what role, if any, the jurisprudence of the European Court of Justice (ECJ) shall have in a no-deal scenario, albeit with a full regulatory alignment as set out in the State aid technical guidance.

## Macedonia Joins the OECD BEPS Inclusive Framework



Macedonia has joined the OECD [BEPS Inclusive Framework](#) becoming the 117th jurisdiction to do so. Members of the Inclusive Framework have the opportunity to work together on an equal footing with other OECD and G20 countries on implementing the BEPS package consistently and on developing further standards to address remaining BEPS issues.

The Inclusive Framework was established in January 2016, following the G20 call for a timely implementation of the BEPS package released in October 2015. The OECD welcomed on 23 August the commitments by the Macedonian government to implement internationally agreed standards to tackle tax evasion and avoidance.