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OECD to Introduce Cryptocurrency Reporting by End 2021

During the CFE's 2021 Forum, held virtually on 6 May 2021, Director of the Centre for Tax Policy at the OECD, Pascal Saint-Amans, gave a keynote speech on the panel discussion topic of cross-border exchange of information.

Mr Saint-Amans confirmed that the OECD aims to update reporting standards for exchange of information to include cryptocurrencies and e-assets by the end 2021, noting that the US is particularly interested in the expansion of the reporting standards to include crypto-assets. The OECD's Common Reporting Standard (CRS) "*calls on jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. It sets out the financial account information to be* *exchanged, the financial institutions required to report, the different types of accounts and taxpayers covered, as well as common due diligence procedures to be followed by financial institutions."*

Mr Saint-Amans also confirmed that the G20 meeting of Finance Ministers in July is still the intended deadline for an agreement to be reached on finding international taxation solutions for the digital economy.

EU Commission Proposes New Regulation to Address Distortion by Foreign Subsidies in Single Market

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The EU Commission has announced a new proposal for a Regulation to address distortion by foreign subsidies in the Single Market, by introducing regulation which would enable the Commission to "investigate financial contributions granted by public authorities of a non-EU country which benefit companies engaging in an economic activity in the EU and redress their distortive effects".

The Regulation proposes the introduction of **three tools**, two notification-based and a general market investigation tool:

- A notification-based tool to investigate **concentrations** involving a financial contribution by a non-EU government, where the EU turnover of the company to be acquired (or of at least one of the merging parties) is €500 million or more and the foreign financial contribution is at least €50 million;
- A notification-based tool to investigate **bids in public procurements** involving a financial contribution by a non-EU government, where the estimated value of the procurement is €250 million or more; and

- A tool to investigate **all other market situations** and smaller concentrations and public procurement procedures, which the Commission can start on its own initiative (ex-officio) and may request *ad-hoc* notifications.

Executive Vice-President Margrethe Vestager, said of the proposed Regulation: *"Europe is a trade and investment superpower. In 2019 the stock of foreign direct investments was worth more than 7 trillion euros. Openness of the Single Market is our biggest asset. But openness requires fairness. For more than 60 years, we've had a system of State aid control to prevent subsidy races between our Member States. And today we are adopting a proposal to also tackle distortive subsidies granted by non-EU countries. It is all the more important to ensure a level playing field in these challenging times, to support the recovery of the EU economy.*"

More detail concerning the proposed Regulation is available here.

CFE Statement on EU Consultation on Insurance & Financial Services VAT Rules

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CFE has issued an Opinion Statement responding to the European Commission's public consultation on current VAT rules for insurance and financial services.

CFE are of the view that current exemption works well in general in the sector. However it is unfortunate the CJEU case law precludes the application of the cost sharing exemption and, particularly on transactions between Member States, there are problems with VAT-grouping. The exemptions have the benefit of avoiding problems which will otherwise arise when determining how to charge VAT on financial transactions. We are also concerned that the restrictive interpretation and ambit of the exemptions causes problems with outsourcing. This is in particular an issue with insurance, and is a possible reason for extending the scope of the exemptions.

If the exemptions are retained, ideally the entire supply chain would be exempted, and definitions would be provided of what falls under the scope of insurance, i.e. whether it extends to back-office outsourcing and the like. The CFE are of the view that the lack of cross-border grouping/cost-sharing exemption also hinders the development of cross-border supplies of insurance/financial services. Implementing any changes in a regulation will have the benefit of increasing harmonisation, which in turn should assist in simplifying the analysis of transactions between member states.

We invite you to read our statement, and remain available for any queries you may have.

UN Releases Updated Transfer Pricing Manual

The United Nations has now published the 2021 update to the Practical Manual on Transfer Pricing for Developing Countries, adopted by the UN Tax Committee of Experts on International Cooperation in Tax Matters ("Tax Committee"), at its 22nd Session in April 2021.

The third edition of the Transfer Pricing Manual incorporates feedback received on the previous 2017 version, and also includes new content on financial transactions, profit splits, centralised procurement functions and comparability issues.

OECD Publish Inheritance Tax Report

The OECD has published a report on Inheritance Tax in OECD Countries, comparing inheritance tax, estate and gift taxes across OECD countries, analysing the roles these taxes have to play in raising tax revenues, and identifying means of reforming the taxes for countries to improve the function of inheritance, estate and gift taxes.

Wealth inequality, economic recovery from the COVID-19 pandemic, an ageing population and wealth concentration amongst older age groups will reinforce inequality, and highlights the need for tax administrations to examine the issue of inheritance, estate and gift taxes. The report aims to assist tax administrations in this process.

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