BRUSSELS | 2 AUGUST 2021

EU Study: Minimum Tax Substance Carve-Out Will Increase Tax Competition & Decrease Taxable Revenue

---

The EU Tax Observatory, recently established research boidy funded by the European Commission, published a note suggesting that a substance carve-out will increase tax competition and would allow companies to escape taxation if they have sufficient operations (assets and employees) in tax havens. According to the note of the Tax Observatory, the carveout agreed by the G20 leaders would reduce taxable revenue in the European Union by €168 billion to €132 billion, if a 5% carve-out is agreed, whereas a 7.5% carve-out would reduce revenues by 23% for a 15% minimum tax.

The analysis is based on the Tax Observatory study published at its inaugural event, entitled “Collecting the Tax deficit of Multinational Companies: Simulations for the European Union” (Baraké et al., 2021). Data is based on OECD’s aggregate tabulations of country-by-country reports (CbCR) released in July 2020.

OECD: Nominal Corporate Income Tax Rates Continue To Fall

The OECD has announced that on average, global nominal corporate income tax rates have continued the downwards trend, down 8 points on average from the year 2000 (28.3%) to year 2021 (20%). Across 111 jurisdictions, 94 had lower corporate income tax rates in 2021 compared with 2000, while 13 jurisdictions had the same tax rate, and only 4 had higher tax rates. In addition, data confirms that corporate income tax continues to be an important source of government revenue for developing countries and emerging economies: the corporate income tax share of government revenue in Africa stands as 19.2%, in Latin America and the Caribbean at 15.6%, compared to the OECD countries average of 10%.

Detailed overview is available in OECD's *Corporate Tax Statistics* database and the latest report on the matter, which also highlights the persistent practice of profit shifting relative to the importance of the recently reached G20 agreement on global taxation.

CFE Opinion Statement on Issues With the Supply of Goods with Transport Under e-Commerce Rules

CFE Tax Advisers Europe has now published an Opinion Statement on issues with supply of goods with transport under e-commerce rules. Determining the nature of a transaction is one of the most important steps when determining the VAT treatment of supplies, including how the place of supply rules operate. It is only after the nature of a supply has been determined, including determining whether a supply should be considered a supply of goods or services, that the different rules regarding determination of the place of taxation can be applied. The situation becomes particularly complicated in cases where the supplier provides to its buyer both supplies of goods and services at the same time. In such cases it must be established whether, for the purposes of VAT, the supply should be treated as two distinct taxable transactions or as a single composite supply for VAT purposes. This question often arises when the supplier supplies goods and provides transport of the goods at the same time. Such a situation is even more common with e-commerce activities, when businesses are selling goods online to final consumers located in other Member States (distance sales of goods).

In the statement, CFE identifies that different rules apply when determining the place of supply of goods and the transport of goods, which often cause administrative problems in practice. Since there are different rules regarding determination of place of taxation for transportation services and supply of goods, CFE identifies through highlighting these issues in practice that it would be helpful if there could be some Commission guidance issued clarifying what the position is or, alternatively, if consideration could be given to making changes to the VAT Directive so that transport services are dealt with more consistently with the underlying supply.

We invite you to read the statement, and remain available for any queries.

EU Invests in Innovative Projects to Decarbonise the Single Market

---

The European Commission has announced an investment of €122 million in innovative projects aimed at decarbonisation of the European economy, following-up on a key pledge of the European Green Deal which will provide 20 billion in total for the next 10 years. The European funding is intended to facilitate the transition to carbon-neutral Single Market by assisting in introduction of low-carbon technologies to the market in energy intensive industries, hydrogen, energy storage and renewable energy.

Commenting EU Commission Vice-President Frans Timmermans said: "*With today's investment, the EU is giving concrete support to clean tech projects all over Europe to scale up technological solutions that can help reach climate neutrality by 2050. The increase of the Innovation Fund proposed in the Fit for 55 Package will enable the EU to support even more projects in the future,* *speed them up, and bring them to the market as quickly as possible."*

OECD: Updates to Transfer-Pricing Country Profiles

The OECD will publish on 3 August the first batch of updates on transfer-pricing country profiles, which will be analysed throughout the second half of 2021 and the first half of 2022. According to the OECD, the updates shall include new elements containing information on financial transactions and permanent establishments (PEs).

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