



European Tax Report Confédération Fiscale Européenne (CFE)

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News - Direct Taxes

EUROPEAN COMMISSION

Dividends payments for foreign companies

Belgium, Spain, Italy, the Netherlands and Portugal are referred to the European Court of Justice by the European Commission for their rules under which certain dividends payments to foreign companies may be taxed more heavily than dividends to domestic companies. The European Commission is of the opinion that those rules are discriminatory as they undermine the freedom of establishment and the free movement of capital. For the same reason the European Commission has sent a reasoned opinion to Latvia. If the state does not reply satisfactorily, the issue might also be referred to the European Court of Justice.

Neutrality of tax

“The Member States cannot tax dividends paid to companies of other Member States more heavily than dividends paid to their own companies” outlined László Kovács, EU Commissioner for Taxation and Customs Union. “I am happy that the Court of Justice confirmed this position on 14 December 2006 in its judgment on Denkavit, Case C-170/05.”

In the Denkavit ruling the principle had been confirmed by the ECJ that outbound dividends cannot be subject to a higher taxation in the source state than domestic dividends.

Read more (click to open):

Press Release European Commission on dividends on foreign companies

languages: [EN](#) [FR](#) [DE](#)

European Court of Justice / Denkavit Ruling / C-170/05

languages: [EN](#) [FR](#) [DE](#)

State aid / Dutch Groepsrentebox

The Netherlands plan to introduce a scheme called “Groepsrentebox” under which the tax rates for net interests received on intra-group loans will be reduced. The European Commission has opened a formal investigation procedure as those rules might contradict to the EC Treaty state rules.

Proposed new measures

The new scheme included two measures whereas the first one is considered a violation of EC Treaty state rules by the European Commission as it would de facto benefit only multinational groups of companies rather than individual (Dutch) companies. The tax rate on interest received in the context of intra-group financing from the general corporate tax rate of 25.5% would be lowered to 5%.

The second measure introduces the 5% tax rate on the revenues generated by short term deposits. It would apply to all kind of companies and would thus be compatible with EC Treaty state aid rules.

Read more (click to open):

Press Release European Commission on Dutch Groepsrentebox

languages: [EN](#) [FR](#) [DE](#)

Regional production in Sicily constitutes illegal aid

Companies operating in certain sectors in Sicily are exempted from the Italian tax on regional production activities (IRAP). The European Commission decided that those measures are incompatible with the EC Treaty state aid rules as they do not apply for all Italian companies. "These two decisions illustrate my determination to crack down on aid which distorts competition without promoting growth." explains Neelie Kroes, Commissioner for Competition.

Regarding state aid rules the European Commission has established a long-standing practice. Operating aid can only be compatible with the Single Market where there is an abnormally low live standard of living or serious unemployment. Those conditions are not fulfilled in this case.

Read more (click to open):

Press Release European Commission on exemptions granted to regional production in Sicily

languages: [EN](#) [FR](#) [DE](#)

Energy tax in Germany, France, Ireland and Italy

The European Commission has decided that the German exemptions from energy taxation for dual use of energy products (e.g. steel production) and for use of in processing minerals (cement, glass) do not constitute aid under the EC Treaty state aid rules. The reason is that they are a consistent part of the national tax system.

In contrast to tax exemptions from heavy fuel duty granted by France, Italy and Ireland are considered as aid as they are highly selective. In practice only one company per country and only sector benefit. Already in December 2005 the European Commission had ordered the recovery of part of the tax exemptions for the period 2002-2003. France, Italy and Ireland must now suspend from paying the compatible aid to beneficiaries until they have paid back the aid found incompatible in the previous decision.

Read more (click to open):

Press Release European Commission on energy tax in Germany, France, Ireland and Italy

languages: [EN](#) [FR](#) [DE](#)

Company regimes in Switzerland

In Switzerland the Cantons may fully or partially exempt profits generated abroad from cantonal and municipal company tax. Over the years many multinational companies are based in Switzerland to minimize their tax liabilities. The European Commission decided now that certain company tax regimes in the Swiss Cantons are a form of State aid and consider them as incompatible with the proper functioning of the 1972 Agreement between the EU and Switzerland.

Fair competition

"Switzerland enjoys the benefits of privileged access to the internal market and must accept the responsibilities that go along with this. The decision the Commission has taken is not about tax competition but about State aid undermining the level playing field necessary for our partnership and the trade relations between Switzerland and the EU", affirms Benita Ferrero-Waldner, Commissioner for External Relations and European Neighbourhood Policy.

Read more (click to open):

Press Release European Commission on State aid decision in Switzerland

languages: [EN](#) [FR](#) [DE](#)

European Commission: EU relations with Switzerland

language: [EN](#)

News - Indirect Taxes

EUROPEAN COURT OF JUSTICE

Polish Excise Duty for second-hand cars contradicts Community Law

Issue

Under the Polish law, second-hand cars which are imported from another Member State are subject to an excise duty. The amount depends on the age of the car but for over two-year old cars the excise duty attains a maximum of 65% of the tax base. Those costs do not apply to second-hand cars from Poland as they have been subjected to the duty on their initial registration.

Decision

The European Court of Justice notes that Article 90 EC seeks to ensure the complete neutrality of internal taxation. Therefore the excise duties imposed on second-hand vehicles from another Member States must be compared with the duty for the initial registration for cars originated in Poland.

The judges leave it up to the National Courts to examine whether imported products are taxed more heavily than domestic products by taking a closer look on the different tax burdens.

Read more (click to open):

European Court of Justice C/313/05

Judgement / Opinion / Reference

languages: [EN](#) [FR](#) [DE](#)

ted a decision authorising Estonia, Slovenia, Sweden and United Kingdom to apply an optional cash scheme under which a taxable person must postpone deduction of value added tax until the payment for goods and services has been made for the supplier.

The special measure introduced by this decision derogates from directive 2006/112/EC on the EU common system of VAT.

Furthermore the Council adopted a decision authorising Romania to apply reduced value added tax rates to minor services involving the repair of clothing and household linen and to domestic car services until 31 December 2010.

The recent Council Meeting took place on 26 and 27th of February 2007. The Council concluded that sound and well-balanced fiscal policies are a key element of successful strategies. National fiscal rules can also play an important role in the respect to medium-term budgetary objective (MTOs).

Read more (click to open):

The Council of the European Union / Economic and Financial Affairs Meeting in January / Press Release p.14-15

languages: [EN](#) [FR](#) [DE](#)

The Council of the European Union / Economic and Financial Affairs Meeting in February / Press Release p. 27-28 (provisional version)

language: [EN](#)

News - Other

COUNCIL OF THE EUROPEAN UNION

Economic and Financial Affairs Council Meeting

On 30 of January 2007 the Finance Ministers of the Member States meet in Brussels. The Council adop-

EUROPEAN COMMISSION

Acitivites 2006 in the field of Tax

The European Commission has published a 24-pages report on its activities in the field of indirect and direct tax in 2006. The paper lists the directives, communications and proposals which have been brought forward by the European Commission in

2006. Moreover links to tax publications such as the „Taxation papers series“, speeches by László Kovács are included.

Read more (click to open):

European Commission / Report on activities in the Tax Field 2006

languages: [EN](#)

Company Taxation: Advanced Pricing Agreements (APAs)

The EU Commission has adopted a communication based on the work carried out in the EU Joint Transfer Pricing Forum. The last meeting of the Forum has been taken place on 7th of December 2007.

The EU Commission and the Forum consider Advance Pricing Agreements (APAs) as a very useful instrument to lessen transfer pricing burdens on taxpayers. The aim is to ensure that companies which are operating cross-borders allocate the correct tax base to the country where they trade.

The EU Commission is therefore proposing Guidelines for Advance Pricing Agreements. They set out an over-all procedure and provide details on how some specific problems could be solved.

Read more (click to open):

European Commission / Communication on Guidelines for Advance Pricing Agreements within the EU

languages: [EN](#) [FR](#) [DE](#)

The EU Joint Transfer Pricing Forum

languages: [EN](#) [FR](#) [DE](#)

UNICE (BUSINESSEUROPE)

Declaration on the 50th Anniversary of the European Union

The UNICE (BUSINESSEUROPE) has published a Declaration on the 50th Anniversary of the European Union. They point out that the Declaration of Rome laid the key stone for one of the most prosperous and safest regions in the world. Today the European Union faces a number of challenges. UNICE underlines that the Internal Market is not yet complete. There is a strong need that Member States implement the Internal Market directives they have agreed on at EU level. Moreover the European Union needs to reform its institutions to improve efficiency and transparency.

Read more (click to open):

UNICE (BUSINESSEUROPE) / Full text of declaration

languages: [EN](#) [FR](#)

News - Events

EUROPEAN COMMISSION

The Brussels Tax Forum 2007

19 - 20 of March

On 19-20 March the Brussels Tax Forum takes place. This conference aims to begin a tradition of an annual tax forum, organised by the EU Commissioner responsible for taxation.

The topic chosen for 2007 is Taxation for sustainable development. The conference will focus on the contribution that taxation can make to sustainable development and how it can promote other policy objectives, such as environmental protection, while bearing in mind economic and social aspects.

Read more (click to open):

European Commission / Brussels Tax Forum / Information and Registration

languages: [EN](#) [FR](#) [DE](#)

Conference on Tackling VAT Fraud - possible ways forward

29 March 2007

On 29 March 2007 the European Commission organises a conference focusing on VAT Fraud. After Commissioner László Kovács has delivered an opening speech, three workshops will take place:

1. VAT fraud: what problems does it cause to business and how can they assist the tax administration in combating it?
2. Enhancing the fight against fraud and the burden on businesses: striking the right balance
3. Changing the VAT system: the ultimate solution?

In the afternoon the three groups will meet again to discuss their results.

Read more (click to open):

European Commission / Conference on Fiscal Fraud / Information and Registration /

languages: [EN](#) [FR](#) [DE](#)

Confédération Fiscale Européenne CFE Forum 2007

The yearly CFE Forum will take place on Thursday, 19th of April 2007 at the Concert Noble in Brussels. The title of the morning session is „The coordinated

approach of national direct tax systems as the answer to ECJ decisions“. Speakers are Michel Aujean (Director E, DG TAXUD), Volker Heydt (Head of Unit E3, DG TAXUD) and Ernst Czakert (Head of Division IV B6, Federal Ministry of Finance / Berlin).

„How fraud is destroying the single market?“ is the topic of the afternoon session. Speakers are Gabriele Himself (Head of Division IV A2, Federal Ministry of Finance, Berlin), Steven Pope, (Treasury Head HM Treasury, London) Wolfgang Nolz (Director General IV, Federal Ministry of Finance, Vienna) and Alexander Wiedow (Director D, DG TAXUD).

If you want to register, please write an email to brusselsoffice@cfe-eutax.org.

Read more (click to open):

Confédération Fiscale Européenne / CFE Forum / Programme

languages: [EN](#) [FR](#) [DE](#)

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