



European Tax Report Confédération Fiscale Européenne (CFE)

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NEWS - ENVIRONMENT/ECOFIN

Reactions from other EU institutions, Member States, stakeholders and the public are invited.

EUROPEAN COMMISSION

Future instruments to support environment and energy related purposes

Green Paper

Nowadays climate and energy change is one of the very important issues. The raise of the issue is also witnessed by the impressive number of newspaper articles and reports on TV creating a lively public debate. At the latest from the meeting of the Spring European Council on 7 and 8 March 2007 the topic climbed also on the top of the European agenda where very ambitious goals in this area were set.

In a joint project Commissioner Laszlo Kovacs (DG Taxation and Customs Union) and Commissioner Stavros Dimas (Environment) have launched a Green Paper in association with Commissioners Jacques Barrot (Transport) and Andris Piebalgs (Energy). The paper aims on stimulating a broad public debate on how taxes, tradable emission rights and other market-based instruments can be used more widely for environmental and energy policy purposes at Community and national level.

Laszlo Kovacs, Commissioner for Taxation and Customers Union, said: „Fiscal policies will have an important role to play in the delivery of the ambitious objectives endorsed by the last European Council“. He stressed that „taxation should in the first place discourage what is undesirable rewarding at the same time all sorts of positive behavior“.

Market-based instruments

The Green Paper covers a wide range of market-based instruments (mainly taxes, emission trading rights) which can be further promoted. Up to now several market-based instruments have been already introduced at EU level including EU Emissions Trading Scheme for greenhouse gas emissions (MEMO/05/84) or the Energy Taxation Directive (IP/03/1456).

From the point of the EU Commission, the use of market-based instruments should be increased to achieve environmental and other policy objectives.

Read more (click to open):

Commission launches debate on further use of market-based instruments to support environment and energy related policy purposes

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

Commission Communication COM/07/140

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

Commission's working document SEC(2007)388

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

Fight against tank tourism

Proposal for excise duties on gas oil

The levels of commercial diesel differ in the EU-27 between 693€ per 1000 liter in the United Kingdom and 220€ per 1000 liter in Bulgaria. The consequences for haulage business can be enormous as excise duties on fuel represent between 6% and 18% of the running costs. From the point of view of the EU Commission the differences create distortions of competition within the liberalised Internal Market. Moreover truck drivers accept longer routes to profit from lower excise duties in certain Member States.

„I am firmly convinced that European haulage markets now fully opened to competition can no longer afford the excessive differentials in excise duties applied to gas oil used by trucks in the Member States. These create significant distortions of competition among companies competing in the same markets and threatens jobs“, Laszlo Kovacs, Commissioner for Customs Union and Taxation underlined.

The European Commission published a proposal for a Council Directive which aims at reducing the differences and the hence negative effects for the environment. The minimum rates of excise duties shall be increased in two steps from 302€ to 380€ per 1000 liter in 2014.

Read more (click to open):

Press Release: Excise duties on gas oil: The European Commission proposes to fight „tank tourism“ and reduce environmental damage
languages: [EN](#) [FR](#) [DE](#)

Provisional version of Commission Communication COM/2007/52
languages: [EN](#) [FR](#) [DE](#)

Impact assessment SEC(2007)170
languages: [EN](#) [FR](#) [DE](#)

EU COUNCIL

Economic and Finance Ministers Council (ECOFIN)

On 27 March 2007 the Council on Economic and Financial Affairs (ECOFIN) debated on the Communications from the Commission on „Co-ordinating Member States direct tax systems in the Internal Market“, „Exit taxation and the need for co-ordination of Member States' tax policies“, and „Tax Treatment of Losses in Cross-Border Situations“ (see European Tax Report 1/2007).

The Council adopted three main conclusions. They recalled, that Member States “are free to design their direct tax systems so as to meet their domestic policy objectives and requirements”. Nevertheless, the Council recognized “the value of discussion and enhancing cooperation between Member States in specific areas of direct taxation to ensure that their domestic direct tax systems work together within the framework of Community law.” Against this background the Council invites the Member States to continue to work with the Commission with a view to establishing in which areas there may be need for greater co-ordination.

Read more (click to open):

Press Release by the EU Council
languages: [EN](#) [FR](#) [DE](#)

NEWS - DIRECT TAXATION

EUROPEAN COURT OF JUSTICE

The right to a tax credit for dividends from foreign companies

Wienand Meilicke and Others v. Finanzamt Bonn-Innenstadt (C-292/04)

Issue

German citizens are entitled to receive a tax credit for dividends from German companies but not for dividends from companies established in another Member State. Between 1995 and 1997 Mr Meilicke received dividends in respect of shares he held in Netherlands and Danish companies. His heirs now unsuccessfully applied to the Finanzamt Bonn-Innenstadt for the tax credits of those dividends. They brought the case then to the Finanzgericht Cologne which sought for a preliminary ruling from the Court of Justice of the European Communities.

Decision

The European Court of Justice held that the German tax legislation restricts the free movement of capital. It refers to its judgement in the Case C-35/98 Verkooijen (2000) which clarifies the requirements arising from the principle of the free movement of capital in respect of dividends received by residents from non-residents companies.

Further the Court rejects the argument that the legislation in question is justified by the need to safeguard the cohesion of national tax systems as it would be sufficient to grant a taxpayer a tax credit calculated by reference to the corporate tax payable by that company in that latter Member State.

Then the European Court of Justice rejected to limit the temporal effects of the judgement as temporal effects of an interpretation of a rule of Community law may apply only exceptionally and in the actual judgement ruling upon the interpretation sought.

Read more (click to open):

Judgement C-292/04
languages: [EN](#) [FR](#) [DE](#)

EUROPEAN COMMISSION

Discriminatory taxation of income sourced in Ireland and the United Kingdom

The European Commission has formally requested Ireland to amend its legislation concerning remittance base taxation by a reasoned opinion under Article 226 of the EC Treaty. Normally Ireland does not tax income received by non-domiciled persons from money invested abroad if the interest is left on the foreign bank account. Only for income sourced in the UK, this rule does not apply. Thus such income is treated less favourable which means a restriction to the free movement of capital. If Ireland does not reply satisfactorily to the reasoned opinion within two months; the Commission may refer the matter to the European Court of Justice.

Next steps

The European Commission has sent a request for information in the form of a letter of formal notice to the United Kingdom about similar remittance tax base rules which might discriminate income sourced in Ireland. The United Kingdom shall answer within two months.

Read more (click to open):

Press Release published by the European Commission
languages: [EN](#) [FR](#) [DE](#)

Patent royalties in Ireland

Under Irish tax law patent royalties are exempted only if research leading to the patent was carried out in Ireland. The European Commission has sent a reasoned opinion under Article 226 of the EC Treaty to Ireland as the ruling is considered to be incompatible with the freedom of establishment and the free movement of services (Art. 43, 48, 49 of EC). Irish companies and individuals might be not engage research institutions outside Ireland since the income from any resulting patents would not be exempted

whereas the income of domestic patents would enjoy tax relief.

Judgements in the past

In the past there had been two judgements delivered by the European Court of Justice on this matter (Cases C-39/04 „Laboratoires Fournier SA“ et C-254/97 „Baxter and Others“). The today's opinion of the Commission is based on these judgements.

Read more (click to open):

Press Release published by the European Commission
languages: [EN](#) [FR](#) [DE](#)

Higher taxes for artists and sportsmen in Germany

According to German law, a flat-rate withholding tax is applied to the total income of certain incomes of non-residents taxpayers - in particular artists and sportsmen – without any possibility of deducting business expenses. In fact it is possible for all relevant people to ask for reimbursement of the overpaid but deductions of business expenses are not granted.

The European Commission considers both tax deductions at source and refund procedure as incompatible with EC Treaty, more precisely the freedom to provide services in the Internal Market. Indeed the prohibition to deduct business expense may lead in many cases to an objectively unjustified higher taxation of non-residents compared with residents.

Judgements in the past

The European Commission is supported by two judgements of the European Court of Justice (C-290/04 “Scorpio” and C-345/04 “Centro Equestre”). If Germany does not reply satisfactorily within two months, the issue may be referred to the European Court of Justice.

Read more (click to open):

Press Release published by the European Commission

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

Read more (click to open):

Press Release published by the European Commission

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

NEWS - INDIRECT TAXATION

EUROPEAN COMMISSION

Infringement procedures against Malta and Romania due to car registration rules

Under the Romanian legislation, the tax due on used motor vehicles is not abated in line with the actual depreciation of similar cars already registered on the domestic market. On the contrary the tax due is increased on the basis of the age of the car. The car registration tax is only levied when the vehicle enters the Romanian market. Thus imported second-hand cars are most heavily taxed. The European Commission considers those tax application modalities as contrary to Art. 90 of the EC Treaty.

In Malta the tax rate applies for old and new cars and is depending on the vehicle engine capacity. For used cars the Maltese authorities fixed a minimum amount of tax. Under this legislature it cannot be guaranteed that the tax applied on second-hand vehicles coming from other Member States will not exceed the residual tax incorporated in the value of similar vehicles already registered in Malta.

Next steps

The European Court of Justice has consistently held that a Member State may levy a registration tax on second-hand imported cars if they are conformity with Art. 90 of the EC Treaty. Thus the tax cannot exceed the tax imposed on similar domestic products.

The „letters of formal notice“ which the European Commission has sent to Malta and Rumania are the first stage of the infringement procedure laid down in Art. 226 of the EC Treaty. If the Member States do not reply satisfactorily the European Commission may proceed with the second stage and ultimately bring the cases before the Court of Justice.

Infringement procedure against Poland: Taxation of electricity

Poland has received a formal request by the European Commission to align its electricity taxation system on the Community framework. Under EU law excise duty on electricity is chargeable at the time of the supply by the distributor or redistributor. In Poland excise duty on electricity is charged to the producer at the same time of the supply.

Next steps

As Poland did not reply satisfactorily to the formal letter which has been sent in November 2006, the European Commission decided to launch the second stage of the infringement procedure by sending a reasoned opinion. The issue may be referred to the European Court of Justice if Poland fails to comply.

Read more (click to open):

Press Release published by the European Commission

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

VAT: Infringement procedures against Sweden and Italy

The Commission has decided to bring Italy before the Court of Justice for extending tax amnesty on VAT to year 2002 („condono“). The Commission has also sent Sweden a formal request to amend its rules concerning the reduced rate of VAT applied by Sweden to supplies, importations and intra-Community supplies of audio books. Currently Sweden applies a rate

of 6 % instead of the normal rate of 25 % to supplies of audio books. According to the Commission there is however no legal base for applying such a reduced rate. This request takes the form of a „reasoned opinion“, the second stage of the infringement procedure laid down in Article 226 of the EC Treaty.

NEWS - OTHER

EUROSTAT

Taxation in the EU from 1995 to 2005

In 2005, tax revenue (i.e. the total amount of taxes and social contributions) in the EU27 stood at 40.8% of GDP, compared with 40.4% in 2004. In the euro area² (EA13) tax revenue was 41.2% of GDP in 2005, compared to 40.9% in 2004. Over a longer period, tax revenue as a percentage of GDP in both the EU25 and the euro area were in 2005 slightly below the levels recorded in 1995. These figures come from a publication issued by Eurostat, the Statistical Office of the European Communities. This report gives additional information on the evolution of tax revenue in the EU and the Member States between 1995 and 2005, and on the breakdown of tax revenue across Member States by main tax category.

Tax revenue ranged from 29% of GDP in Lithuania and Romania to 52% in Sweden

Read more (click to open):

Press Release published by the European Commission
languages: [EN](#) [FR](#) [DE](#)

Tobacco taxation

Public consultation open until 1 June 2007

The European Commission is launching an online consultation seeking views from stakeholders on the current EU tax legislation on tobacco and possible changes. EU rules on tobacco must guarantee the proper functioning of the Internal Market while at the same time be in line with the EU objective to discourage tobacco consumption. Existing rules should be modernised, be more transparent and simple. The consultation is of interest to all stakeholders, in particular, businesses involved in the manufacturing and distribution of tobacco products, health organisations, government administrations, non governmental organisations and other organisations representing consumers. The Commission will take into account those opinions and views in its legislative proposal to come at the end of this year. Comments are invited by 1 June 2007.

Read more (click to open):

General information on tobacco taxation
languages: [EN](#) [FR](#) [DE](#)

Consultation on tobacco taxation
languages: [EN](#) [FR](#) [DE](#)

Read more (click to open):

Report published by Eurostat
languages: [EN](#) [FR](#) [DE](#)

EUROPEAN COMMISSION

Documents available for Brussels Tax Forum and VAT Forum

The documents regarding the Brussels Tax Forum which took place on 19 and 20 March 2007 and for the conference on „Tackling VAT Fraud“ are now available:

The Brussels Tax Forum
languages: [EN](#) [FR](#) [DE](#)

Conference „Tackling VAT Fraud“
languages: [EN](#) [FR](#) [DE](#)

VAT FORUM

8th Interactive conference on Indirect Taxation

On 25-27 April 2007 the 8th interactive conference on Indirect Taxation will take place in Alicante (Spain). The conference deals with the following issues: - taxable basis, recharging of services and financial services. The registration fee is 1300 Euro.

Read more (click to open):

Conference on Indirect Taxation in Alicante, Spain
languages: [EN](#) [FR](#) [DE](#)

IMPRESSUM

Confédération Fiscale Européenne
188A, Av. de Tervuren
B-1150 Brussels

Editor: Stella Willborn

If you have any suggestions or questions, please feel free to contact the editor:

brusselsoffice@cfe-eutax.org

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