

CFE EUROPEAN TAX REPORT 2006/06

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LATEST CFE NEWS

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LATEST EUROPEAN DEVELOPMENTS

European Commission:

► VAT: The European Commission proposes to extend the Directive on electronically delivered services

The European Commission proposes to extend the period of application of the "e-commerce VAT" Directive (COM (2002) 38) to 31 December 2008. Without this extension, the rules for services supplied by electronic means as well as to radio and television broadcasting services would revert to those prevailing prior to the changes introduced by the Directive. This would mean that EU suppliers would be subject to VAT even for services supplied to clients outside the EU and they would face competition within the EU from suppliers in third countries that would not be subject to VAT at all. The proposal does not contain any other change.

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Commission proposal: [EN](#) [FR](#) [DE](#)

► VAT: The European Commission intends to modernise the current legislation on financial services and insurances

The European Commission intends to submit a legislative proposal by the end of 2006 for modernising the current legislation on financial services and insurances. It has launched a public online consultation and works closely with the European Banking Federation in this process. The main objectives of a modernisation would mainly be to reduce the administrative costs for administrations and traders, to remove potential or actual competitive distortions between supplies across different Member States and to create more clarity and security for Member States and traders VAT should be applied in a manner consistent with a level playing field and accordingly eliminate all VAT attributable competitive distortions.

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Speech by Commissioner Kovács: [EN](#)

► Commissioner Kovács calls for compromise in Council on VAT package

The VAT package is composed of interlocking elements with a view to establishing clear cut rules for determining the place of taxation and minimizing regulatory burdens on business engaged in cross border trade. Commissioner Kovács spoke about various aspects of the VAT system at the 5 May meeting of the EU Council of Economic and Financial Affairs.

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► **New report on taxation in the EU from 1995 to 2004**

This publication provides an in-depth analysis of the main trends in tax policy in EU Member States, with coverage not only of traditional income and consumption taxes but also of newer instruments such as environmental taxes. It contains both country-by-country information and an analysis of EU-wide trends since 1995. The survey contains data for all 25 Member States plus Norway, which is a member of the European Economic Area. The publication compares EU Member States' overall tax burdens (i.e. tax to GDP ratios), implicit tax rates ("ITRs") and statutory personal income tax and corporate tax rates.

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► **Modernising customs and fiscal procedures: The European Commission proposes to renew EU programmes to finance the customs reform and stimulate the smooth management of IT tax systems**

The European Commission has presented two proposals to renew the existing Fiscalis 2007 and Customs 2007 programmes as from 2008 till end 2013. The new programmes aim at providing Member States with means to better combat tax and customs fraud and to cut compliance costs for traders and taxable persons. Customs 2013 would support new security policy initiatives, the modernisation of the customs code and the introduction of a pan-European paperless customs environment. Fiscalis 2013 would continue to stimulate cooperation between tax authorities and assist them in developing an appropriate balance between efficiency of controls and burdens on taxable persons.

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► **EU welcomes repeal of US tax breaks to US exporters, will withdraw reintroduction of sanctions**

The European Union has warmly welcomed the repeal by the US Congress of WTO-incompatible tax breaks for US companies contained in the Jobs Act. The US has repealed the tax benefits as part of wider tax legislation. The EU welcomes the constructive work of the USTR's office and Chairman Bill Thomas and Chairman Charles Grassley in removing the measures from US law.

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► **Clearing and settlement: Commission expert group examines EU fiscal compliance barriers to cross border securities trading**

The European Commission's Clearing and Settlement Fiscal Compliance expert group ("FISCO") has issued a Fact Finding Study examining EU Member States' fiscal compliance procedures for clearing and settlement of cross-border securities transactions. The Study analyses how these procedures hinder the functioning of capital markets and increase the cost of cross-border settlement, particularly in relation to withholding and transaction taxes. The FISCO group will issue a further report proposing solutions by early 2007.

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► **State aid: Commission welcomes phasing out of preferential tax regimes for offshore trading companies in Malta**

The European Commission has welcomed the notification by the Maltese Government that it has formally accepted the Commission recommendation of 22nd March 2006 to gradually abolish the existing aid schemes providing selective fiscal advantages in favour of International Trading Companies (ITC) and Companies with Foreign Income (CFI) by the end of 2010 at the latest. Malta's acceptance renders the abolition of the schemes legally binding and will put an end to these long-lasting preferential regimes in Malta. The Commission found that the schemes violated the EC Treaty's ban on state aid liable to distort competition.

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► **State aid: Commission accepts changes for maritime transport in Finland**

The Commission raised no objections to extending two existing State aid schemes linked to the international shipping register, namely the reimbursement of social security contributions and seafarers' income tax, for ships whose owners are not based in Finland but which are managed by a Finland-based operator.

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► **State aid: Belgian tax on collective investment undertakings: Commission decides no state aid involved**

Acting under the state aid rules of the EC Treaty, the Commission has today decided that the Belgian tax on collective investment undertakings (CIUs), about which investment funds in Luxembourg had lodged a complaint, does not constitute state aid. Unlike the complainants, which viewed the tax as an export aid, the Commission took the view that the non-taxation of Belgian CIUs as regards units marketed by them abroad stemmed from the internal rationale of the new tax regime in force since January 2004.

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► **State aid: Commission opens investigation into Italian merger incentives for small and micro enterprises**

The European Commission has opened a formal investigation, under EC Treaty state aid rules (Article 88 (2)), into an Italian tax credit scheme to encourage small and micro enterprises to merge. The Commission believes that the measure might distort trade and competition, and doubts that state aid is the appropriate instrument to tackle the issue. The design of the scheme may bring windfall gains to some players and the distortion may be reinforced by previous illegal and incompatible aid still to be reimbursed.

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► **State aid: Commission endorses media support schemes in Poland, Ireland, France and Denmark**

The European Commission has approved under EC Treaty state aid rules four aid schemes which support film-making in Poland and Ireland, music recordings by new talent in France and newspaper distribution in Denmark. The Polish scheme provides grants to support all stages of production, distribution and promotion of films that are relevant to Polish and European culture. In Ireland, tax incentives are given to investors in film production. The French scheme aids music productions that have lesser commercial appeal. In Denmark, the subsidy will compensate part of distribution costs and promote the availability of certain newspapers. The Commission concluded that in all four cases the subsidies would not give rise to undue distortion of competition within the Single Market.

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The Council:

► **Meeting of the Eurogroup and Economic and Finance Ministers Council, Brussels 4 and 5 May 2006**

The Council held an exchange of views, on the basis of a package of measures proposed by the presidency, on three dossiers dealing with value-added tax arrangements for businesses:

- a proposal for a directive on the place of supply of services as concerns VAT payments;
- proposals for two directives and a regulation on simplification of cross-border VAT obligations and refund procedures for businesses;
- prolongation of a directive on VAT arrangements for e-commerce.

It requested the permanent representatives committee to continue work on the package, taking account of the views expressed by delegations, so as to enable the Council to reach political agreement at its meeting on 7 June.

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OECD:

► **The Committee on Fiscal Affairs Approves New Manual on Information Exchange**

The Manual provides practical assistance to officials dealing with exchange of information for tax purposes and may also be useful in designing or revising national manuals. It has been developed with the input of both member and non-member countries.

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► **Comparability: the OECD invites comment on a series of draft issues notes**

The OECD has released an invitation to comment on a series of draft issues notes on comparability that was developed by the Committee on Fiscal Affairs Working Party No. 6, building on experience acquired by countries since the adoption of the Transfer Pricing Guidelines in 1995 and on comments received from the business community in response to an open questionnaire released in 2003.

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