

CFE EUROPEAN TAX REPORT 2006/07

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LATEST EUROPEAN DEVELOPMENTS

European Commission:

► **Interest and Royalties Directive timely implemented, but diversely interpreted by EU Member States**

The survey carried out by the International Bureau of Fiscal Documentation (IBFD) aims to provide a comprehensive overview of the implementation of the Interest and Royalty Directive and application of Article 15(2) of the Agreement between the EU and the Swiss Confederation in the Member States covered.

Survey: [EN](#)

Country specific annexes: [EN](#)

► **European Commission suggests the need for a coherent European strategy to combat tax fraud**

The European Commission has adopted a communication whose aim is to launch a debate with all parties concerned on a European strategy to combat tax fraud. It notes that tax fraud is a growing problem and that the Member States cannot act effectively in isolation. It proposes a new Community approach to administrative cooperation with third countries and is prepared to engage in a broad discussion on the need to modify VAT systems. Regarding cooperation between Member States, it proposes strengthening the provisions in force for indirect taxation (VAT and excise duties) and reforming Community legislation on direct taxation and assistance in the recovery of taxes.

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FAQ: [EN](#)

Commissioner Kovács Speech: [EN](#)

► **Commission welcomes phasing out of Spain's tax incentives for investment abroad**

The European Commission has welcomed the notification by the Spanish Government that it has formally accepted the Commission recommendation of 22 March 2006 to gradually abolish the tax advantages in favour of Spanish companies investing abroad by the end of 2010 at the latest, as they distort competition and trade within the Single Market. Spain's acceptance renders the abolition of the incentives legally binding under EC Treaty state aid rules and will put an end to a long-lasting system of operating aid in Spain.

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► **The European agenda for taxation, speech by Commissioner Kovács**

Commissioner Kovács delivered a speech at the 10th General Assembly of IOTA, Session on Risk management in practice – the experience of European tax administrations, where he spoke about the current tax policy priorities in the area of Corporate Taxation; Value Added Taxation and the cooperation between tax administrations and the fight against tax fraud.

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► Modernizing the VAT Rules for 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. Within this framework the Commission together with the EBF organised on 11 May a one day conference. 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. The speeches and presentations given at the conference are available online.

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► Commission hosts first meeting of Financial Services Consumer Group

The newly created Financial Services Consumer Group met for the first time on June 20 2006. This Group brings together representatives from consumer organisations from EU Member States as well as consumer organisations active at EU level. The aims of this group, which is co-chaired by DG Internal Market and Services and DG Health and Consumer Protection of the European Commission, are to stimulate the exchange of information between national and European consumer representatives and the Commission, to provide information to consumers in all Member States, to build financial services expertise in the consumer movement and to obtain additional consumer-focused input on financial services policy issues.

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The Council:**► Preparation of Eurogroup and Economic and Finance Ministers Council, Luxembourg 6 and 7 June**

The Austrian Presidency will try to make progress and if possible to reach a political agreement on the different proposals that have been submitted by the Commission to the Council (since 2004) and which are part of the VAT package.

The package is composed of: the "E-Commerce" Directive which ensures that B2C supplies of digital downloads are taxed in the EU when supplied from outside the EU using a rudimentary electronic portal. The current rules expire on 30 June 2006; two elements of the "VAT simplification proposal", namely the one stop shop (which aims to provide a simplified system for registration and declaration of VAT in Member States where a business is not established) and the simplified rules for the refund of value added tax to taxable persons not established in the territory of the country but established in another Member State; the proposals concerning the place of supply of B2B (Business to Business) and B2C (Business to Consumers) services.

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

► Council updates legal framework on annual accounts for EU companies

The Council has adopted a directive updating EU rules on the annual and consolidated accounts of European companies (3675/05 and 8511/06 ADD1). The new directive modifies the 4th and 7th company law directives ("accounting directives" 78/660/EEC and 83/349/EEC), together with accounting directives for banks (86/635/EEC) and insurance undertakings (91/674/EEC), with a view to further enhancing confidence in the financial statements and annual reports published by EU companies. It establishes collective responsibility for board members in the drawing up and publishing of financial statements and annual reports, enhances transparency in related parties' transactions and off-balance sheet arrangements and, for publicly traded companies, introduces a requirement for a corporate governance statement.

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OECD:

► **OECD countries, offshore financial centres report progress on exchange of information**

International co-operation is helping governments around the world to combat tax cheating through improved transparency and exchange of information in tax matters but there are still gaps that need to be plugged, according to a new report by the OECD's Global Forum on Taxation.

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