



EU Direct Tax Newsalert

European Commission adopts Tax Package for fair and simple taxation

On 15 July 2010, the European Commission (EC) adopted a new Tax Package aimed at making taxation within the European Union “fairer, greener and fit for the modern economy, and contributing to long-term, sustainable, inclusive growth.” The EC’s Tax Package consists of 3 separate but complementary proposals for fairer, simpler and modernised tax systems:

1. Action Plan for fair and simple taxation supporting the EU recovery strategy

The Action Plan is designed to respond to the dual challenge of the current crisis: supporting a swift and sustainable economic recovery and ensuring sufficient public revenue in the EU. The Annex to the Action Plan Communication features 25 tax initiatives to be implemented between now and 2024 in both the indirect tax and direct tax areas around the EU’s twin objective of fighting tax evasion and making taxation simple and easy. The EC considers that:

- “A deep reform of the corporate tax system to fit our modern and increasingly digitalised economy is now even more important to support growth and generate needed revenues in a fair way, by realigning taxing rights with value creation and setting a minimum level of effective taxation of business profits. The EC is actively supporting the global discussions led by the OECD and the G20 and stands ready to act if no global agreement is reached. Before the end of the year, the EC will set out the next steps, following up on the global discussions in an Action Plan for Business Taxation for the 21st century;
- The global fight against tax evasion and avoidance requires decisive action. Covid-19 has prompted unprecedented action at national and EU level to support Member States’ economies and facilitate their recovery. This includes State intervention to ensure liquidity and access to finance for undertakings, a considerable part of which has been subject to EU State aid rules. The EU list of non-cooperative jurisdictions for tax purposes is designed to address threats to Member States’ tax bases. Against this background, the EC puts forward a Recommendation that Member States make their financial support to undertakings in the EU conditional on the absence of links between those undertakings and jurisdictions on the EU list.
- All existing policy levers will be activated. The EC will explore how to make full use of the provisions of the EU Treaty that allow proposals on taxation to be adopted by ordinary legislative procedure, including Article 116 TFEU” (i.e. not by unanimous vote).

Examples of direct tax initiatives for 2020/2021

- An initiative for an EU cooperative compliance framework, based on greater cooperation, trust and transparency for a dialogue between tax

administrations for the common resolution of cross-border corporate income tax issues. This would cover SMEs and larger companies and their respective circumstances and complement existing programmes;

- The EC and Member States will continue to work on the implementation of a permanent body / Standing Committee for dispute resolution to contribute to the effectiveness of cross-border dispute resolution;
- Charter on taxpayer’s rights: the EC will publish a Communication taking stock of taxpayers’ existing rights under EU law together with a Recommendation to Member States to facilitate the implementation of taxpayers’ rights and to simplify tax obligations; and
- The EC will re-install an EC expert group on transfer pricing (TP) for pragmatic, non-legislative solutions to practical problems posed by TP practices relevant to the EU. The group will increase tax certainty, reduce double taxation risks and enable input from Member States and business and civil society.

2. Revision of the Directive on administrative cooperation (DAC7)

A new legislative proposal which would:

- introduce automatic exchange of information between Member States’ tax administrations for income/revenues generated by sellers on digital platforms; and
- strengthen administrative cooperation through the clarification of existing rules.

3. Communication on Tax Good Governance in the EU and beyond

This Communication focuses on promoting fair taxation and clamping down on unfair tax competition, within the EU and internationally. The main areas for action will include:

- Code of Conduct (business taxation) reform;
- Review of the EU list of non-cooperative jurisdictions for tax purposes;
- Improvements to reinforce tax good governance vis-à-vis EU funds and improved coordinated defensive measures by Member States;
- Supporting developing countries in this area.

Takeaway

This package is the first part of a comprehensive and ambitious EU tax agenda for the coming years. The EC will also work on business taxation for the 21st century, addressing the challenges of the digital economy and ensure that all MNCs pay their fair share. In the context of the Green Deal, the EC will ensure taxation supports the EU’s objective of reaching climate neutrality by 2050. The EC calls on the EU Parliament, the Council of the EU, NGOs, trade unions and businesses to actively engage in a constructive and inclusive fashion.

PwC’s EU Direct Tax Group

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