BRUSSELS I 3 DECEMBER 2018

G20 Leaders Adopt Declaration at Summit in Argentina

At the summit meeting which took place from 30 November to 1 December in Buenos Aires, Argentina, the G20 leaders adopted a declaration setting out the priorities of the G20. The OECD report to G20 leaders was also published at the commencement of the Summit.

The Declaration confirms that the G20 will continue to cooperate concerning the challenges in taxation of the digitalisation of the economy, and will attempt to find an international consensus on the best solution to address the challenges. The prior commitments made to produce an update in 2019 and a final report in 2020 were reconfirmed. Leaders also committed to reforming the World Trade Organisation, stating that the system is "currently falling short of its objectives".

Pascal Saint-Amans noted that leaders welcomed BEPS implementation and the commencement of Automatic Exchange of Information, and said that French President Macron stated there was a need for a BEPS 2.0 to address the tax challenges of the digital economy.

Germany & France Expected to Reveal New Transactional Tax Proposal

France and Germany are expected to release details of a new transactional tax they propose should be adopted by the European Union. The proposed tax will allegedly be modelled on an already existing system in France, which taxes transactions involving shares issued domestically by companies which have a market capitalisation of over 1 billion Euros.

It is anticipated that France and Germany will suggest that revenue collected from the tax can be used to fund the Euro zone budget, with countries able to offset the tax against contributions. It is also expected the proposal will provide for apportionment of revenue to countries which would not collect significant amounts of tax from the proposed measure.

ECOFIN Report on Tax Issues Published

The Economic and Financial Affairs Council have published their draft Report to the European Council on Tax Issues, which sets out progress achieved by the European Council on tax dossiers under the Austrian Presidency.

The report lists the numerous proposals adopted related to the implementation of the definitive VAT regime, as well as the proposal adopted for revision of excise duties. The report detailed that discussions on the CCTB dossier under the Austrian Presidency explored the impact of the proposed Directive on national revenues. It was concluded that the impact would be more positive if applied to all corporate taxpayers, but delegations are divided on extending the compulsory scope to all corporate income taxpayers. Delegations are reportedly also divided over tax incentives to be included in the Directive, and the concept of permanent establishment in a Member state.

In relation to the digital taxation package, the report notes that the dossier was discussed on multiple occasions since the commencement of Austrian Presidency, and that the Presidency acted with a view to agree the DST by December. The dossier is listed for discussion at the ECOFIN meeting scheduled for 4 December 2018, however it is not anticipated that agreement will be able to be reached.

4. Cape Verde Joins Inclusive Framework on BEPS

Cape Verde has joined the OECD BEPS Inclusive Framework, becoming the 124th jurisdiction to do so. Members of the Inclusive Framework have the opportunity to work together on an equal footing with other OECD and G20 countries on implementing the BEPS package consistently, and on developing further standards to address remaining BEPS issues.

The Inclusive Framework was established in January 2016, following the G20 call for timely implementation of the BEPS package released in October 2015. The OECD welcomed the commitments by Cape Verde to implement internationally agreed standards to tackle tax evasion and avoidance.

5. Netherlands Announce Stricter Requirements for Tax Rulings

The Netherlands' Ministry of Finance has announced stricter requirements concerning the issuing of international tax rulings, to come into effect from 1 July 2019.

Under the proposed measures, companies established in the Netherlands which do not have any economic value or physical presence will be ineligible to receive a tax ruling from the Dutch revenue authority. The requirements will also apply to low-tax countries (countries where the tax rate is lower than 9%), and those countries which are included on the European Union's List of Non-Compliant Jurisdictions for Tax Purposes.

International rulings will also be issued by one centralised team, and the Dutch Ministry of Finance has committed to providing a summary and annual report concerning the issued rulings. All rulings will also be subject to independent investigation concerning whether they have been lawfully issued.

The selection of the remitted material has been prepared by
Piergiorgio Valente/ Aleksandar Ivanovski/ Brodie McIntosh/ Filipa Correia