

EU – Fighting tax evasion and avoidance

Table of contents

INTRODUCTION	2
1. ACTIONS TAKEN BY THE EU IN 2013	3
1.1. AUTOMATIC EXCHANGE OF INFORMATION WITHIN THE EU	3
1.2. TIGHTENING CORPORATE TAX RULES AGAINST AGGRESSIVE TAX PLANNING	3
1.3. NEGOTIATING WITH COUNTRIES (WITH EU SAVINGS TAX AGREEMENTS) FOR GREATER TRANSPARENCY	3
1.4. ESTABLISHING A PLATFORM ON TAX GOOD GOVERNANCE	4
1.5. LAUNCHING THE DEBATE ON DIGITAL TAXATION	4
1.6. NEW INSTRUMENTS TO FIGHT VAT FRAUD.....	4
1.7. NEW STANDARD VAT FORM.....	4
1.8. PUBLISHING NEW REPORT ON VAT GAP IN THE EU (MEMO/13/800).....	4
1.9. PREVENTING HARMFUL TAX COMPETITION	4
1.10. INTRODUCING MORE CORPORATE TRANSPARENCY.....	4
2. AREAS OF FOCUS / ROOM FOR GREATER ACTION IN THE EU	5
3. WHAT HAS BEEN ACHIEVED AT INTERNATIONAL LEVEL?	5

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Introduction

This summary of the EU's efforts in recent months on tackling tax evasion and avoidance is prepared based on the memo ([MEMO/13/1096](#)) published by the European Commission in December 2013. Certain references have been refreshed and/or added to cover the development achieved since the date of publication.

According to the memo, the process explained below started in December 2012 by publishing the Commission's Action Plan ([IP/12/1325](#)) to better tackle tax evasion and corporate tax avoidance.



1. Actions taken by the EU in 2013

1.1. Automatic exchange of information within the EU

- widening the scope of the [Administrative Cooperation Directive](#) (from 1 January 2015) ([IP/13/350](#)) – the proposal could be agreed by MS in the first half of 2014
- it is an agreement on the automatic exchange of information on income from employment, directors' fees, life insurance, pensions and property and possibly on dividends, capital gains, other financial income and account balances

1.2. Tightening Corporate Tax rules against aggressive tax planning

- aims to close loop-holes in the Parent-Subsidiary Directive ([IP/13/1149](#)) – proposal to be discussed and possibly accepted in the first half of 2014 and by MS by the end of 2014
- it would oblige MSs to adopt common anti-abuse rule – to allow them to ignore artificial arrangements and to tax based on real economic substance
- it would close in on hybrid loan agreements – e.g. dividend could be taxed at parent company

1.3. Negotiating with countries (with EU savings tax agreements) for greater transparency

- negotiation started with Switzerland, San Marino, Andorra, Monaco and Liechtenstein ([MEMO/12/353](#))
- note: bilateral agreements with 10 dependent or associated territories of the United Kingdom and the Netherlands (Anguilla, Aruba, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man, Jersey, Montserrat, the Netherlands Antilles as well as the Turks and Caicos Islands) – not mentioned in this regard

1.4. Establishing a [Platform on Tax Good Governance](#)

- [EU Taxpayer's Code](#) (*no result of consultation available*), ways to increase transparency of multinationals, identifying measures against tax havens etc.

1.5. Launching the debate on Digital Taxation

- [High Level Expert Group](#) established (first meeting in Dec. 2013 – [IP/13/983](#))
- available materials on the work of the Expert Group: [1st meeting](#), [2nd meeting](#)

1.6. New instruments to fight VAT fraud

- [Quick Reaction Mechanism](#) (sudden, massive VAT fraud/reverse charge within 1 month) – ready for use from 2014 ([IP/12/868](#))

1.7. New standard VAT form

- Commission [proposed](#) a simplified, standard VAT form – improving tax compliance ([IP/13/988](#)) – 5 compulsory boxes; up to max. 26 additional boxes (down from 100 in some countries – e.g. in Hungary currently 96)

1.8. Publishing new report on VAT Gap in the EU ([MEMO/13/800](#))

- VAT Gap (VAT unpaid): EUR 193 billion in 2011, 18% of the combined expected VAT income of the MSs – for comparison Hungary's GDP is around EUR 100 billion

1.9. Preventing harmful tax competition

- state aid control
- Code of Conduct Group's work

1.10. Introducing more corporate transparency

- new Accounting Directive (note: pending [ECJ C-508/13](#) case: Estonia vs. Eur. Parl. and Council – debating that certain rules of the new Accounting directive complies with the principles of subsidiarity and proportionality)
- revised [Capital Requirements Directives](#) – for banks and investment funds ([MEMO/13/690](#))

- hope of the EU in this respect – all large companies and groups make public how much they pay in tax and in which country
- revision of anti-money laundering legislation ([IP/13/87](#)) – e.g. specific reference to tax crime, expanding the scope of politically exposed person from only ‘foreign’ to ‘domestic’ as well, strengthening cooperation between national Financial Intelligence Units – next step: Council and EP to adopt

2. Areas of focus / room for greater action in the EU

- Savings Tax Directive ([MEMO/12/353](#)) – closing [loop-holes](#) and automatic exchange of information
- [Common Consolidated Corporate Tax Base](#) progress – single consolidated corporate tax return (IP/11/319 - deleted)
- better use of the [Code of Conduct on Business Taxation](#) – a tool for identifying and eliminating harmful tax regimes
- 13 country specific recommendations to intensify efforts to tackle tax evasion ([2014 Annual Growth Survey](#))
- Commission continues to work on: [Taxpayer’s Code](#), [EU Tax Identification Number](#), common sanctions across the EU for tax offences

3. What has been achieved at international level?

- [G20](#) agreed to move to greater international tax transparency – automatic exchange of information as the new global standard
- [OECD AEI standard](#) – it is important for the EU that the global standard should be compatible with EU law (data protection) and take into account existing EU AEI arrangements
- [BEPS Action Plan](#) complements the EU measures in several ways

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