



Euro Tax Flash from KPMG's EU Tax Centre



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European Commission presents its new Tax Package

[Commission's working programme – Fair Taxation – Directive on Administrative Cooperation – Automatic Exchange of Information – Tax Good Governance – Tax abuse – Digitalised Economy](#)

On July 15, 2020 the European Commission unveiled its new Tax Package focused on fairness and simplicity of tax systems within the European Union. The package contains three separate but complementary initiatives, consisting of an amendment to the Directive on Administrative Cooperation, a Communication on Tax Good Governance, as well as a Tax Action Plan aimed at simpler, fairer and better attuned tax systems within the EU.

Via the new Tax Package the Commission wishes to ensure that the European tax policy supports Europe's economic recovery and long-term growth.

Background

The initiatives are the first part of a comprehensive and ambitious European tax agenda for the coming years, aimed at boosting tax fairness by combatting tax abuse and unfair tax competition, as well as by increasing tax transparency. In this context, the European Commission also seeks to address the challenges of constantly evolving economy, including the digital economy.

Details of the Commission's Tax Package

The Tax Package contains three separate but complementary initiatives via which the European Commission aims to pave the road towards a fairer, simpler and modernised tax system within the EU.

Action Plan for fair and simple taxation supporting the recovery

The Tax Action Plan contains a set of 25 actions which will be implemented by the European Commission between now and 2024. The timeline and all actions can be consulted [here](#). The actions are part of a long term plan focused on creating a fair tax system compatible with modern technologies and support the economic recovery and long-term growth in the European Union.

The Action Plan contains:

- Measures aimed at reducing tax obstacles for businesses in the Single Market as to improve business environment and contribute to economic growth. For example, in 2021 the European Commission aims to update and simplify the VAT rules for financial services in order to ensure a level playing field within the EU and the international competitiveness of EU companies;
- Measures on enforcing tax rules and improving tax compliance within the Member States in order to secure tax revenue. For example, in 2021 the European Commission aims to extend the automatic exchange of information to crypto assets and e-money.

It should be noted that the Action Plan does not cover issues related to digital taxation or minimum effective taxation. In this regard, the Commission will present a dedicated action plan on business taxation in the autumn of 2020. The Commission will perform a deep reform of the corporate tax system to fit the evolving and increasingly digitalised economy by realigning taxing right with value creation and setting a minimum level of effective taxation of business profits. This will take stock of the discussions at the Organization for Economic Cooperation and Development (OECD) on these issues, to which the EU has actively contributed.

In order to fully deliver on the EU's fair tax agenda, the European Commission will review the Treaty on the function of the EU ('TFEU'), including article 116 TFEU, on provisions which will allow proposals on taxation to be adopted by ordinary legislative procedure.

Communication on Tax Good Governance in the EU and beyond

The Communication contains a proposed reform of the EU Code of Conduct on business taxation – which sets the parameter for fair tax competition in the EU – and improvements of the EU list of non-cooperative jurisdiction.

Via the reformed EU Code of Conduct, the Commission wishes to not only examine specific preferential tax regimes within the EU but also perform reviews of general features of a Member State's corporate tax regime which are deemed harmful.

Finally, the Communication also outlines the EU's approach to assisting developing countries in the area of taxation, in line with the 2030 Sustainable Development agenda.

Revision of the Directive on Administrative Cooperation (DAC7)

The proposal amends the Directive on Administrative Cooperation in order to extend the EU tax transparency rules to digital platforms, by introducing an automatic exchange of information between Member States' tax administrations for income / revenue generated by sellers on digital platforms. The aforementioned does not only aim to aid tax administrations to identify income earned via digital platforms, but also aims to reduce the administrative burden of digital platforms who are subject to different national reporting obligations.

Furthermore, DAC7 includes clarification and improvement of the existing rules on administrative cooperation. As a result of which joint audits and group requests will be explicitly mentioned in the Directive.

Next steps

The Action Plan of the European Commission presents a number of upcoming actions in the field of direct and indirect taxation but cannot be considered as a legislative proposal itself. Further communications are to be expected from the European Commission on the various actions in accordance to the indicated [timeline](#) per action item.

The Communication on Tax Good Governance in the EU and beyond sets out the priority areas for action over the coming years in order to enhance governance standards and to ensure fair taxation. These actions are primarily focused on soft law measures to be adopted by EU Member States in the Council and external actions to be taken.

The legislative proposal on the amendment of the Directive on administrative cooperation will be submitted to the European Parliament for consultation and to the Council for adoption by all Member States. If approved, the proposal will need to be implemented into domestic legislation by the end of 2021, and be applied as from January 1, 2022.

EU Tax Centre comment

The Tax Package as introduced by European Commission on July 15, 2020 is the latest development in the area of fair, efficient and sustainable taxation which has been a focus point within the European Union as early as 2015. Following the coronavirus pandemic, the initiatives aimed at increasing tax certainty and removal of unnecessary tax obstacles will be most welcome for tax payers established across the European Union.

The initiatives proposed by the Commission partly also correspond to actions taken by the OECD on a global level. Early July 2020, the OECD released a global tax reporting framework for digital platforms in the sharing and gig economy, in order to collect information on the income realised via digital platforms. The framework can be consulted [here](#).

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