A short summary of three topics that ICC would like to introduce to the discussions among members of the Platform on Tax Good Governance and to the political programme of the EU Commission itself

Tax efficiency and digitalization

Many tax administrations as well as businesses are undergoing a global revolution in tax compliance as they seek to digitalise their processes to enhance efficiency and effectiveness. This is creating interesting dynamics where complex business systems and processes need to adapt to information and communications technology systems designed by the public sector. The use of modern technology plays an important role to safeguard revenues and gain efficiencies for both tax administrations and businesses, but will only help achieve the desired efficiency gains if it is embedded in a broader regulatory and administrative compliance strategy for the maximum benefit of all stakeholders. Whilst digitalisation has the potential to reduce administrative burden on companies while increasing the effectiveness of tax administration controls, this potential will not be fully realised with the current level of diversity of approaches among jurisdictions and law enforcement agencies and without a consistent legal, administrative and technological global framework. The resulting lack of efficiency for businesses, as well as the risk of non-compliance, jeopardises the benefits that can be derived from digital and paperless processes within the private and public sectors. Collaborative action with business is essential to ensure that digitalisation systems are a benefit, not a hindrance, to business supply chains and government operations, and also assist in optimising laws and systems in the interest of supporting digital transformation.

‘Continuous transaction controls’ (CTCs) are an example of systems that enable law enforcement agencies such as tax administrations, to harvest data associated with business activities that are relevant to the exercise of their function. Such data is obtained directly from business transaction processing and/or data management systems, in real-time or near-real-time. To address the risks and substantive costs to companies – engendering broader economic implications – due to a lack of coordination among the governments issuing such continuous transaction control platforms, ICC has worked in the context of a multistakeholder group (including public and private sector representatives) to collectively understand and identify solutions for ensuring that trends and the use of technology has a positive impact on trade, as well as advance the common goal of reducing tax burdens on business while also facilitating tax collection by countries. Intra-European Organisations for Tax Administrations, and tax administrations from Russia, Netherlands, Greece, Portugal, UK were part of the group. The ICC WG developed a set of Practice Principles to promote consistency and compatibility of CTC processes across national borders, and different parts of every country’s public sector that wish to adopt CTCs.ICC respectfully recommends that, given the increasing trend of transaction-based reporting using technology, it would be of value for the European Commission Platform for Tax Good Governance to address this topic, in an effort to promote harmonization of practices and approaches to reduce tax burdens on business and increase efficiency of digitalisation for tax administrations. It would be useful to leverage existing work in this area and ICC remains ready to provide any contributions or expertise in this respect.

Another example for more efficiency by the means of digitalization is the Standard Audit File for Tax (SAF-T). This is an international standard for electronic exchange of reliable accounting data from organizations to a national tax authority or external auditors. The objective is to enable businesses and accounting software to create a SAF-T, containing reliable transaction data from systems that covers a specific time period and which is easily readable by virtue of its standardisation of layout and format. SAF-T advances efficient and effective audits by internal and external auditors and by revenue bodies. It also enables companies to better automate digital processes such as tax declarations, promotes better archiving measures for companies and leads to less tax inquiries. Once fully implemented across Europe, SAF-T is likely to reduce the cost to the company and to the tax authorities (with one standard reporting file instead of multiple local filings, each in its own format).

Dispute resolution and dispute prevention

ICC advocates for a consistent global tax system, founded on the premise that stability, certainty and consistency in global tax principles are essential for business and will foster cross-border trade and investment. ICC fully supports a harmonised approach to ensure that international tax rules remain relevant and applicable in an increasingly digitalised global economy. For the business community, the integrity of the international tax system is of critical importance. “Legal Certainty” – in a narrow understanding – requires simple and consistent tax rules that are unambiguous and easy to apply. Given that a substantial simplification of tax laws is not foreseeable in the near future, “Tax Certainty” on the other hand can be achieved through the increasing use of other mechanisms such as Cooperative Compliance Programs or Joint Audits. Those Dispute Prevention instruments aim at reaching an agreement, before disputes arise (in contrast to Dispute Resolution instruments). They ensure that companies can get certainty as swiftly as possible on the amount of tax they must pay – and in advance of making business decisions wherever possible. ICC encourages the Commission to explore further how Dispute Prevention instruments can help reduce tax uncertainty, thus encouraging domestic and international investment and trade. It is expected that there will be a large increase in the number of tax disputes as a result of uncertainty created by the interpretation and implementation of international tax rules. Furthermore, the implementation of the Multilateral Instrument as well as the implementation of Pillar 1 and 2 – in the event that ~~case~~ a compromise should be reached – may give rise to further tax disputes. Dispute Prevention will not always be possible. It is therefore crucial to make the next level, Dispute Resolution, even more effective. ICC is aware and welcomes the enormous effort that the EU has made in recent years by improving the legislative framework in that respect. ICC therefore encourages the Commission to monitor the implementation and functioning of the Directive on tax dispute resolution mechanisms in the EU.

Employee taxation

The inclusion of stock remuneration for employees is an important incentive for staff in terms of enhancing an ownership culture in the businesses they work for. Harmonisation of the tax treatment of ~~those~~ stock remuneration programmes across EU Member States would be of benefit in reducing complexities and encouraging more companies to use such programmes and thus improv their ownership culture, which in turn would lead to greater profitability and enhance the EU’s competitiveness. Legal challenges of pension schemes for employees who change employment locations from one country to another is extremely complex. This is of particular importance with reference to tax declarations and the ensuing complexity that arises when pension schemes/funds are being transferred in the course of a change of employment to a different country. ICC believes that it would be useful for the Platform to consider exploring the possibility of promoting increased harmonisation and coherence in the application of pension scheme provisions, as well as employee taxation issues related to stock remuneration.

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