

## Our recommendations

# Platform for Tax Good Governance Topics for consideration



AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €2 trillion in 2018, directly supports more than 4.8 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.

## COVID-19 related tax policies and challenges

### How EU and national tax policies can better support growth, innovation and competitiveness to drive economic recovery post COVID-19.

Fiscal stimulus and pro-growth tax policies are necessary to support both investment and consumption in the short term. Against this backdrop, the Commission Recovery Plan proposal also outlines tax policy initiatives which could, if not designed properly, stifle EU economic growth. While a lot of the details are still missing, preventing a full analysis, we believe that EU budgetary decisions should take the following recommendations and principles into account.

#### Recommendations:

- **Attractiveness of the Single Market** - The Single Market is one of the EU's greatest achievements, turning Europe into one of the most attractive hubs for international investment. Given the Commission has suggested own resources would be used to raise recovery funds, it should ensure the details for design and implementation of own resource mechanisms do not jeopardise the EU's competitiveness and attractiveness as an investment destination and therefore should seek to minimise any negative effects.
- **International cooperation:** As EU countries engage in multilateral discussions, we urge that any tax proposals do not go beyond internationally agreed standards. The Commission should ensure that any tax proposals do not create new barriers to economic recovery by inadvertently inhibiting cross border trade, investment, and economic growth. The EU should also refrain from any initiative that could exacerbate existing trade tensions.
- **Sound policy-making:** Any new EU proposals should continue to rely on rigorous science and fact-based impact assessments, made available to the public, as well as open and transparent dialogue with public and private actors. The policies at regulatory and fiscal level should be based on scientific evidence, allowing to reduce exposure to risk factors.
- **Economic certainty:** To invest, a company needs visibility on whether it will obtain a satisfactory return on its investment. In an increasingly open world, investment projects are assessed on a global scale. Europe is one of many regions where such manufacturing investment projects may be located; therefore, it should offer investment conditions that are attractive compared to those in other regions. At the moment, such discussions are a shared competence between national, regional, local and EU levels (in assessing what state aid is allowed) which makes the process more complex. It is important to stress that regulatory uncertainty and lack of transparency can both be perceived as an investment risk

## Tax digitalisation and simplification

### How to use tax policy to encourage access for all businesses (including particularly SMEs) to digital technologies, to encourage international investment (including from outside the EU) and growth.

This requires work to ensure more simplicity, certainty and level playing field competition for businesses, including SMEs, and investors in the Single Market (EU and non-EU), as well as legal clarity and minimum tax obstacles for companies operating cross-border.

#### Recommendations:

- The last Work Programme noted that expanding digital services could be a key contributor to boost investment through tax policy, and we believe this remains the case.

- However, the taxation of the digitalisation of the economy is the biggest and most pressing challenge for tax policymakers, and remains firmly on the agendas of the Commission, Council, and Parliament, as well as other transnational organisations.
- We therefore recommend that this topic should now be elevated to a priority and covered in its own right by the Platform, to ensure that the voices of all stakeholders are heard and fed into the Commission's broader workstreams and international discussions.
- In this sense, the Platform should focus on using tax policy to encourage access for all businesses (including particularly SMEs) to digital technologies, to encourage international investment (including from outside the EU) and growth.
- This requires work to ensure more simplicity, certainty and level playing field competition for businesses, including SMEs, and investors in the Single Market (EU and non-EU), as well as legal clarity and minimum tax obstacles for companies operating cross-border.

## Tax and growth

**How EU and national tax policies can better support growth, innovation and competitiveness.**

### Recommendations:

- Building on the Platform's prior work in this area (and noting the crossover with tax and digitalisation, as well as other priorities), we recommend that Tax & Growth remain on the Platform's agenda.
- In order for the benefits of Capital Markets Union to be realised, additional efforts must be made to ensure that these are applied across the European Union, and barriers to trade and investment are curtailed.
- In addition, we would welcome the opportunity to further study two important topics as the subject of ongoing discussion:
  - How EU and national tax policies can better support growth, innovation and competitiveness.
  - How to increase tax certainty for businesses, as EU and international tax reforms are being implemented.

## International cooperation

**Multilateral engagement, built on foundations of trust, transparency, and compromise will be paramount in ensuring the ability of the international tax system to remain consistent and predictable and these and other changes are designed and implemented.**

Contribution to a discussion on how the EU should be seeking to build such multilateral relationships, to ensure that it remains a leader in multilateral forums and a builder of international consensus to the benefit of all nations.

### Recommendations:

- Following the conclusion of the BEPS Project's main recommendations, significant changes are being introduced through multilateral law and soft law changes (e.g. MLI, OECD Transfer Pricing Guidelines, Country by Country Reporting), bilateral treaty renegotiations, and implementation of domestic rules.
- Alongside this, other (separate) multilateral initiatives are ongoing (e.g. CRS, BEPS follow-up work including peer reviews, OECD Pillar 1&2).
- The EU has recently introduced ATAD, ATAD2, and introduce new transparency initiatives. Alongside this, the US has undertaken a major tax reform, the first since the 1980s, and other major international trading partners such as China continue to shape their tax priorities and tax system. Additionally, increasing numbers of developing countries are engaging in Tax Policy discussions at a multilateral level through the OECD's Inclusive Framework.
- We believe that the Platform can usefully contribute to a discussion on how the EU should be seeking to build such relationships, to ensure that it remains a leader in multilateral forums and a builder of international consensus to the benefit of all nations.

## Tax certainty

**How to increase tax certainty for businesses, as EU and international tax reforms are being implemented.**

### Recommendations:

- The work of the European Commission with respect to the resolution of tax disputes, the speed of implementation of agreements within the EU for the exchange of information on tax rulings and country by country reports, could pave the way for more extensive discussions on greater cooperation between tax administrations (including “one face to the taxpayer”), and would welcome a continuation and deepening of the previous discussions; in particular:
  - The need for adequate human and material resources in tax administrations.
  - Ways of creating a more strategic approach to auditing cross-border companies such as joint audits made by cooperating with tax administrations.
- While we agree that such features are part of the CCCTB proposals, we do not consider that they should only be sought as part of them. We recommend examining these areas outside of the CCCTB framework with a view to accelerate their implementation.

Main representative : Astrid Pieron (Mayer Brown)

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