



EUROPEAN COMMISSION

DIRECTORATE-GENERAL TAXATION AND CUSTOMS UNION

Direct Taxation, Tax coordination, Economic Analysis and Evaluation

**Company Taxation initiatives**

# **SUMMARY RECORD OF THE MEETING OF THE PLATFORM FOR TAX GOOD GOVERNANCE**

**held on**

**13 September 2024,  
09H30 – 13H00**

**at**

**ALBERT BORSCHETTE conference centre, room 2A**

## **1. WELCOME, INTRODUCTION, AND ADOPTION OF THE RULES OF PROCEDURE**

The meeting was chaired by Mr. Benjamin Angel, Director for Direct Taxation, Tax Coordination, Economic Analysis and Evaluation, at the EU Commission Directorate General Taxation and Customs Union (DG TAXUD).

After the opening remarks by the Chair, Director-General of DG TAXUD, Mr. Gerassimos Thomas addressed the newly established Platform, welcoming the renewed and increased membership and setting out his expectations for the Platform's work. He reiterated the importance given to stakeholder input, particularly when a new Commission is being formed and the priorities for the next 5 years are being defined.

Before starting the exchange of views, the Chair introduced the Rules of Procedure, the draft of which was circulated to the membership in advance and is based on the standard Rules of Procedure for Commission Expert Groups. The Chair recalled that the discussions are typically held under Chatham House rules, to allow speakers freedom to express their views. In this regard, the summary records of the Platform meetings will be factual and not include names of organisations, unless expressly agreed to.

The agenda was adopted without discussion and included:

- Round of introduction of Non-Governmental Members;
- Decluttering the tax architecture and legislation;
- Introduction of the new Chair of the FISC Subcommittee;
- Bruegel memo on tax policy;
- Priorities under the Hungarian Presidency of the Council of the EU.

## **2. ROUND OF INTRODUCTION OF NON-GOVERNMENTAL MEMBERS**

All 28 appointed member organisations, except one, were present during the meeting. The delegates briefly introduced themselves and the organisation that they represent. The Chair also informed that the European External Action Service, the European Economic and Social Committee, and the OECD were granted the status of observers. The Platform also provides for the participation of the European Parliament, under the Framework Agreement on the relations between the European Parliament and the European Commission.

## **3. DECLUTTERING THE TAX ARCHITECTURE AND LEGISLATION**

The Chair introduced the topic by referring to the broader focus on simplification and reduction of administrative burdens of the second von der Leyen Commission mandate. This will lead to a new workstream for the Commission to review the existing tax legislation, aiming to identify potential areas where rules overlap. Members of the Platform were encouraged to share their insights.

Two business associations' representatives gave short presentations on the priorities for the business community:

- The first business association argued that high compliance costs and complexity are frequently seen as barriers to the functioning of the Single Market, as also mentioned in the Draghi report on European competitiveness. There are several areas where removal, simplification or the amendment of rules could be sought, particularly in light of the implementation of the Pillar 2 Directive on a global minimum tax. Most notably, this concerns the Anti-Tax Avoidance Directives (ATAD) (e.g. Controlled Foreign Corporation rule, interest limitation rule and exit tax were mentioned), as well as the Directives on Administrative Co-operation in the field of taxation (DAC). According to the representative, a possible solution could entail the withdrawal of some of these measures to avoid redundancies or exempting companies in scope of Pillar 2 from the certain DAC requirements. The representative recommended the retirement of some of the ATAD anti-tax avoidance measures and suggested increasing the ceiling for the deductibility of expenses from €3 million to €5 million. The representative also drew attention to inconsistent implementation of existing EU legislation (e.g. DAC 4 and DAC 6) or broadening of minimum standards of a Directive when transposed into national law, which entails a risk of fragmentation of the EU market. Another area of focus should be Transfer Pricing, as it is a source of significant tax disputes. The representative underlined that, overall, any changes to the existing tax framework should aim at simple and standard measures, consistently implemented across the EU, and at fostering economic growth.
- In a similar vein, another business representative stressed that any efforts to improve the EU tax landscape should consider the wider geopolitical context and have the attractiveness of the EU at its core. The representative welcomed the ongoing evaluation of the ATAD and DAC but noted that it must not be a check-the-box exercise, rather ambitious with clear parameters. Pre-existing tax rules with similar objectives should be eliminated and not merely tweaked, as this would only create additional compliance costs. The representative also stressed that the decluttering exercise should not exclude large companies, and that it will be important to define what 'decluttering' means and understand the impacts on businesses of different sizes. In their view, the introduction of new anti-abuse rules should be limited, before there is an understanding of the gaps left by Pillar 2.

The discussion with divergent views followed. Several speakers from business associations provided additional arguments about the rising compliance costs of new regulations, problems with tax governance, and the risks of increasing reporting obligations while only a small part of the reported information is used in practice.

A representative of a professional association mentioned the need to find the right balance between tax certainty and compliance. Another professional association suggested that the focus should be placed on enforcement, citing the recent Apple case as a big victory for the EU.

While agreeing on the need for simplification, several members from academia and NGOs called for caution before dismantling existing anti-avoidance measures without proper evaluation, as this might create loopholes and opportunities for tax abuse. A speaker from academia also noted the need to distinguish solutions between taxpayer groups. Another speaker from academia added that many of the measures have only come into effect in recent years and it would be premature to assess the costs for companies without tangible evidence. There is thus a need for a proper

economic study of the areas where simplification should take place, as well as of the related costs and benefits. An NGO representative added that other initiatives which are currently being negotiated, like Unshell or BEFIT, should be given due consideration.

Another NGO representative raised the issue of legitimacy and fairness that merit further discussion, also as regards the dialogue with third countries on tax good governance (the EU listing exercise) and the UN developments on the reform of international tax cooperation.

The Chair noted the interest from the members on the topic of decluttering and informed that it will be a recurrent item on the agenda of the Platform, inviting written input which could feed into the future discussions.

TAXUD Director-General also appreciated the insightful exchange of views that provided ample food for thought and noted the Commission's commitment to widely engage with stakeholders, in order to ensure well-founded conclusions. The way forward will also take into consideration other important aspects such as the evolution of the case law of the EU Court of Justice, the audits performed by the European Court of Auditors and related recommendations, the political guidelines of the new Commission and the views of the European Parliament.

#### **4. INTRODUCTION OF THE NEW CHAIR OF THE FISC SUBCOMMITTEE**

Mr Pasquale Tridico, the newly elected Chair of the Subcommittee on Tax Matters (FISC) at the European Parliament, informed the Platform about the priorities during his mandate. He reiterated the urgent need for a tax reform in the EU, ensuring that administrative costs are reduced, tax avoidance is stopped, and more fiscal harmonisation among countries is achieved. Mr Tridico argued in favour of a single corporate tax base, with an apportionment formula giving more weight to the jurisdiction where the income is produced. Mr Tridico stressed the need to make the tax system more fair and fit for purpose in an increasingly globalised and digitalised world. This would entail work on wealth taxation and addressing tax avoidance and evasion by super-rich individuals, which is essential to ensuring sustainability of the welfare system and securing pensions for future generations. Mr Tridico also noted the need to consider the impact of Artificial Intelligence and its potential power to transform the global economy, labour market and tax systems.

The Chair appreciated the availability of Mr Tridico to join this Platform meeting and noted the very active role played by the FISC subcommittee in the field of taxation.

#### **5. BRUEGEL MEMO ON TAX POLICY**

Mr Pascal Saint-Amans presented the Bruegel memo for the future Commissioner responsible for tax policy. The memo takes a snapshot of the state of affairs and makes a series of recommendations for the coming 5 years. Among the existing challenges, Mr Saint-Amans includes:

- avoiding backsliding on tax harmonisation in a less-favourable international context;

- making taxation more growth-friendly;
- balancing capital taxation and personal income taxation;
- reinvigorating the EU's relationship on tax matters with developing countries, particularly in Africa;
- negotiating a successful compromise on own resources.

Recommendations include tax simplification. In this regard, Mr Saint-Amans noted positively some of the current proposals under discussion in the Council, such as the Head-Office Taxation for SMEs or BEFIT. Further consideration should be given to taxation of high-net-worth individuals and digital nomads, and better taxation of capital income. Mr. Saint-Amans noted that reflection is needed in case consensus is not reached at international level.

Speakers from an NGO and a business association asked for additional details on how to improve taxation of capital gains. In reply, Mr Saint-Amans noted that the progress on exchange of information has created new opportunities for addressing this matter. Proposals like that of G. Zucman to impose a tax on billionaires go in the right direction but might be difficult to implement at a global level. Instead, the EU could start by addressing harmful tax practices, for example by exploring the possibility of establishing a code of conduct on personal income taxation. Further consideration could also be given to exit taxes or withholding taxes.

## **6. - PRIORITIES UNDER THE HUNGARIAN PRESIDENCY OF THE COUNCIL OF THE EU**

A representative from the Hungarian delegation informed about the priorities during the upcoming semester (September-December 2024). Main objectives include ensuring tax certainty, enhancing competitiveness through digitalisation, efficient use of information, and simplification, as well as providing support to the international role of the EU. In direct taxation, the Hungarian Presidency will advance work on a number of proposals for EU Directives which are pending in Council, such as UNSHELL, BEFIT, Head Office Taxation, and Transfer Pricing. Once a proposal is adopted, priority will also be given to DAC9. Work will continue on the Code of Conduct (COC) for business taxation, and cooperation on the UN process for a Framework Convention on international tax cooperation. In the field of indirect taxation, high priority will be given to finalising the VAT in the Digital Age package and the Energy Taxation Directive.

An NGO representative asked for more details on the plans to advance UNSHELL, and the work of the COC Group on a new criterion of the EU list on beneficial ownership.

With regards to UNSHELL, the Hungarian representative informed that the work will continue based on the new approach included in the latest ECOFIN report. As for the different workstreams within the COC Group, the representative referred to the work programme under the Hungarian Presidency, which will be adopted at the upcoming meeting of the COC Group and made public. The Chair complemented that technical discussions on criterion 1.4 are still ongoing, in close cooperation with the OECD where relevant, to ensure a design that would be tuned with the international developments in the field.

## **7. ANY OTHER BUSINESS**

An NGO representative inquired about the possibility of making the deliberations within the

Platform public. The Chair noted that this matter will be rediscussed at the next meeting.

The Chair concluded by:

- Informing about the next meeting of the Platform, which is planned for 17 December.
- Inviting Members to share their written input on decluttering with the Platform Secretariat to [TAXUD-PLATFORM@ec.europa.eu](mailto:TAXUD-PLATFORM@ec.europa.eu)
- Encouraging Members to make suggestions on topics for future discussions through a dedicated survey.