



# European Semester 2023 & Recovery and Resilience Facility

*Stephan Wolters, DG TAXUD*

*Platform on Tax Good Governance, 7 March 2023*

# The 2023 European Semester

- European Semester has resumed broad economic policy coordination, adapted to Recovery and Resilience Facility
- Country-specific recommendations issued in 2022 show taxation policy remains very much a focus – around half of MS received tax-related CSR
  - Tax mix: supportive of more inclusive and sustainable growth
  - Tax compliance and tax simplification, including digitalisation
  - Fight against aggressive tax planning
- Spring package in May will include new proposed CSRs and country reports (and more)

# Taxation in the 2023 Annual Sustainable Growth Survey (ASGS)

- Published in November 2022, kicking off 2023 European Semester cycle as part of the Autumn Package
- Outlines economic policy agenda for next 12 to 18 months
- Emphasises importance of functioning and effective tax systems
  - Single set of tax rules for doing business in Europe – BEFIT
  - Continued modernisation and digitalisation of tax administrations
  - Minimise aggressive tax planning and tax avoidance opportunities
  - Appropriate tax mix and effective revenue collection

# Recovery and Resilience Facility

- The RRF is the centrepiece of the NextGenerationEU recovery plan for Europe - the EU's response to the COVID-19 crisis. It provides more than EUR 700 bn in grants and loans.
- All 27 RRPs are adopted, setting out milestones and targets for reforms and investment to be achieved by 2026.
- Many RRPs include tax-related measures, including in some cases to fight aggressive tax planning.
- Focus now on (1) REPowerEU and (2) Implementation

# REPowerEU

- REPowerEU is the EU's response to the hardships and global energy market disruption caused by Russia's invasion of Ukraine.
- Key measures include energy savings, diversification of energy supplies, and accelerated roll-out of renewable energy to replace fossil fuels in homes, industry and power generation.
- REPowerEU chapters to be added to RRP, additional funding available
- Taxation can be a useful tool to accelerate the green transition as part of REPowerEU
  - Commission encourages Member States to consider tax measures
  - Synergies with Green Deal Industrial Plan: Tax breaks or other forms of support for green net-zero technologies investments undertaken by businesses

# Implementation – 2 years on

- Two years on since its adoption, the Recovery and Resilience Facility continues to be a central driver of the EU's green and digital transformation
  - RRF has already disbursed more than EUR 140 billion
- Communication adopted on 21 February
  - Taking stock of the concrete results achieved so far
  - Publication of assessment methodology for satisfactory fulfilment of milestones and targets
- Taxation measures – vast majority on track, some limited scope for amendments
- Technical support – following presentation



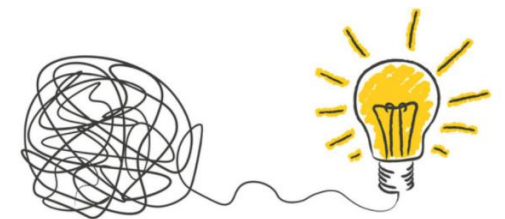
# Technical Support Instrument (TSI)

Christoph Schwierz, Head of Unit REFORM.B.1 – Public Financial Management and Revenue Administration

*Directorate-General for Structural Reform Support (DG REFORM)*

- Provides **tailor-made technical expertise** to EU Member States to **design & implement reforms**
- **Demand-driven upon request of MS** and **does not require any co-financing**
- For the period 2021-2027, the TSI has a budget of EUR 864 million
- Important pillar of the EU's **recovery plan**
- Can cover **all reform phases**, from design to implementation & evaluation, across a **wide range of areas including tax policy and administration**

- **Thematic areas** for enhanced focus going forward
- **Flagship projects** that are proactively proposed
- **Multi-country projects** that combine multiple MS around the same objectives







## Aggressive tax planning, tax fraud and evasion

- Supporting administrative cooperation and exchange of information
- Implementing the EU anti-tax avoidance package and BEPS actions
- Building capacity in transfer pricing and ruling practices

## Tax Policy

- Assessing tax legislation
- Building capacity for micro-simulations and modelling
- Designing green taxation reforms

## Administration of revenues

- Setting up an independent revenue authority in Greece
- Strengthening dispute resolution mechanisms
- Strategic planning and performance management

## Tax Compliance

- Improving compliance risk management and strategies
- Setting up cooperative compliance programmes
- Enabling the implementation of behavioural approaches

## TSI Regulation

**Specific objective** of assisting Member States in improving their capacity to prepare, amend, implement and revise recovery and resilience plans (Art. 4)

### Options available to Member States

Regular TSI calls

Dedicated TSI 2021 call for the implementation of RRP - finished

Embedment of technical support into RRP

Transfers from shared management or national funds

## Contributions


More than **300** projects linked to RRP, of which **57%** of requests selected in 2022.

**General support** to **19** Member States and **thematic support** in different areas including taxation.

## Lessons Learned

Integration between the TSI and the RRP has been increasing and it is **expected to increase even further**.

Close monitoring is needed to ensure that the delivery of TSI projects aligns with the **achievement of milestones and targets**.



## Implementation of the new Integrated Tax Administration System in Cyprus

The Commission is supporting the Cypriot Ministry of Finance to implement **a new integrated tax administration system for VAT** and to **integrate operations of the direct tax administration** into the system, as part of **reform 9 of component 3.5 of the national RRP**.




## Increasing the efficiency of the fiscal control activity in Romania

The Commission is supporting Romania in the implementation of **an integrated risk management system for all fiscal control functions** in order to increase desk audits and improve tax collection in the longer term, as part of **investment 2 of component 8 of the national RRP**.



## Designing a new valuation model for rural properties in Portugal

The Commission is supporting the Portuguese Tax and Customs Authority to design **a new evaluation model for rural properties** for rural property taxation, which feeds into the design of the information system under **investment 2 of component 17 of the national RRP**.




## Enhancing the quality and use of tax information exchanged in the context of the DAC

The Commission is supporting **Belgium, Finland, Hungary, Malta, Poland and Slovakia** in the design and implementation of strategies, action plans, guidelines, IT specifications, trainings and other technical support measures to improve the **quality, use, monitoring and evaluation** of tax information that is exchanged between Member States, ranging from **DAC 1 to 7**.



## Assessing or reforming green tax policies

The Commission is supporting **Andalusia (Spain), Cyprus, Greece, Italy and Portugal** in the implementation of processes, methodologies, tools, action plans and other technical support measures to **assess or reform tax rules to help the green transition, facilitate green investments, or address environmental issues** in individual, tailored projects.



## Enabling the implementation of behavioural approaches

The Commission is supporting **Austria, Belgium and Portugal** jointly in a multi-country project to strengthen tax compliance by implementing **behavioural insights, tools and a compliance dashboard** within the institutional frameworks of their tax administrations.

# Thank you

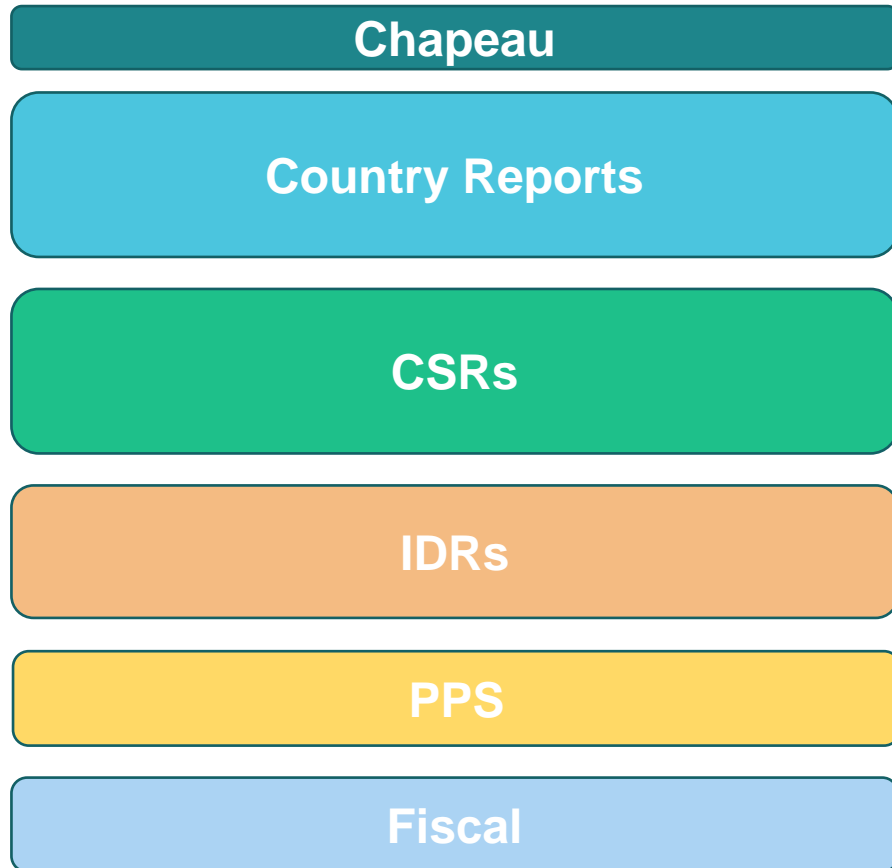
Contact: [REFORM-B1@ec.europa.eu](mailto:REFORM-B1@ec.europa.eu)

Reform Support (europa.eu)

# 2022 tax-related CSRs

MS	Text
AT	Improve the tax mix to support inclusive and sustainable growth.
BE	Reform the taxation and benefit systems to reduce disincentives to work by shifting the tax burden away from labour and by simplifying the tax and benefit system. Reduce tax expenditures and make the tax system more investment-neutral.
DE	Improve the tax mix for more inclusive and sustainable growth, in particular by improving tax incentives to increase hours worked.
DK	Implement the new property tax system in order to restore the link between market prices and taxes and ensure fairer taxation.
EL	Building on reforms undertaken as part of the recovery and resilience plan, improve the investment-friendliness of the taxation system by introducing a wider advance tax-ruling system and review the structure of the tax burden on the self-employed.
HU	Continue simplifying the tax system.
IT	In order to further reduce taxes on labour and increase the efficiency of the system, adopt and appropriately implement the enabling law on the tax reform, particularly by reviewing effective marginal tax rates, aligning the cadastral values to current market values, streamlining and reducing tax expenditures, also for VAT, and environmentally harmful subsidies while ensuring fairness, and by reducing the complexity of the tax code.
LU	Take action to effectively tackle aggressive tax planning, including by ensuring sufficient taxation of outbound payments of interests and royalties to zero and low-tax jurisdictions.
LV	Broaden taxation, including of property and capital,
MT	Take action to effectively address features of the tax system that may facilitate aggressive tax planning by individuals and multinational companies, including by ensuring sufficient taxation of outbound payments of interests, royalties, and dividends, and amending the rules for non-domiciled companies.
PT	Improve the effectiveness of the tax and social protection systems, in particular by simplifying both frameworks, strengthening the efficiency of their respective administrations, and reducing the associated administrative burden.
SE	Reduce risks related to high household debt and housing market imbalances by reducing the tax deductibility of mortgage interest payments or by increasing recurrent property taxes.
SI	Introduce compensating measures to finalise the shift from labour taxes, including by rebalancing towards more green and growth-friendly taxes.
SK	Make the tax mix more efficient and more supportive to inclusive and sustainable growth, including by leveraging the potential of environmental and property taxation. Continue to strengthen tax compliance, including by further digitalising tax administration.

# 2023 Spring Package



- Chapeau Communication, with supporting Country Reports (CRs - 27)
- Country-Specific Recommendations (CSRs - 27)
- In-Depth Reviews (IDRs - 17)
- Post-Programme Surveillance reports (PPS – 5)
- Fiscal supporting documents and any other elements TBC