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DIRECTORATE-GENERAL

TAXATION AND CUSTOMS UNION

Direct Taxation, Tax coordination, Economic Analysis and Evaluation

Company Taxation initiatives

**SUMMARY RECORD
OF THE HYBRID MEETING
OF THE PLATFORM FOR
TAX GOOD GOVERNANCE,
AGGRESSIVE TAX PLANNING
& DOUBLE TAXATION**

held on

**14 JUNE 2022,
9H30 – 13H00**

at

**Conference Centre Albert Borschette (CCAB),
5B room**

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Welcome and introduction

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 & Customs Union. The Chair opened the meeting and shortly introduced the agenda items. In light of the first item of the agenda, he warmly welcomed Mr Paul Tang MEP and Chair of the FISC Subcommittee (FISC)¹ within the European Parliament and gave him the floor in order to discuss the most relevant FISC priorities.

Priorities of the FISC subcommittee in the European Parliament: keynote by MEP Mr Paul Tang, FISC Chair

Mr Tang began his intervention recalling that the FISC subcommittee is the successor of past temporary committees that the European Parliament (EP) created on tax matters. Past revelations were instrumental in creating the need for such bodies within the EP. More recent revelations led to the creation of a permanent subcommittee on fiscal matters. He added that the role of the FISC subcommittee within the EP is somehow similar to the role of the Platform for Tax Good Governance, i.e., discussing and suggesting solutions in the area of taxation within the EU and beyond. However, there are also important differences: FISC meetings are public and furthermore the sub-committee directly contributes to EU tax policy making, by preparing reports on tax issues. FISC intends to be an agenda setter body not only in Brussels. It aims to put pressure on other EU institutions (when needed). Part of its mission is to keep the general public fully involved and informed. Main FISC vehicles to promote debate are, for example, initiatives for EP inquiries, public hearings, workshops, or missions. Thanks to FISC, the EP has taken position on key tax files, including digital taxation, the reform of the Code of Conduct Group, the fight against harmful tax practices, and withholding taxes. Since September 2020, the FISC subcommittee has heard more than one hundred tax experts. This makes the subcommittee one of the best-informed parliamentary committees on taxation in the EU. FISC tries to select all its agendas' items making sure that they are the most relevant in the field of

¹ <https://www.europarl.europa.eu/committees/en/fisc/home/highlights>

taxation. An example is the EU list of non-cooperative jurisdictions for tax purposes² that was advocated by the EP. It was highlighted that this list is potentially an effective instrument, but improvements could be made. FISC has also made a strong plea in making the Code of Conduct Group³ more transparent and broader in scope. It was also underlined that the EU Commission has taken up topics initially put on the table by past tax committees of the EP, such as Country-by-country reporting (CbCR) or the recent proposal for an EU directive to tackle the use of shell entities for tax purposes (UNSHELL Directive)⁴. The outreach of the FISC subcommittee does not stop in Brussels, but it seeks to include EU Member States too, with several meetings taking place directly there. It was underlined that taxation is a highly political issue and should be subject to democratic scrutiny. The FISC subcommittee is currently working on two workstreams: 1) further reform of corporate taxation rules and 2) lessons learned from Pandora papers. Ongoing work on these two issues will roughly last one year. The first workstream will focus, among other issues, on the “Business in Europe: Framework for Income Taxation” (BEFIT)⁵ and on tax compliance costs. The second workstream will investigate intermediaries and vehicles linked to shell companies or enablers. Recent revelations like Lux-leaks have shown different approaches across the EU to the question of tax intermediaries. It will be interesting to study commonalities and discrepancies among Member States and continue the outreach with Member States’ capitals.

The Platform Chair kicked off the Q&A session and asked the FISC Chair to pick the most urgent priority that the subcommittee needs to tackle. The FISC Chair recalled his involvement with the Common Consolidated Corporate Tax Base (CCCTB),⁶ pointing out the need for a fundamental reform of business taxation. A convergence between business and NGOs emerged when preparing the CCCTB initiative. The future reform of business taxation can be win-win. Compliance becomes easier for business and opportunities of tax avoidance become more limited through consolidation. This convergence might take place again although it may meet opposition and all sorts of complex, technical questions. Furthermore, it remains a priority to step up work to tackle shell companies and to ensure that tax enablers enable compliance.

A business association representative thanked the FISC Chair for his keynote and pointed out that the 2011 CCCTB proposal was focused on the EU single market and its correct functioning. For the coming years it is very important to put emphasis not only on tax reporting or tax avoidance, but also on developing rules aimed at making the single market more efficient and business friendly. After almost a decade, it would be

² <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

³ <https://www.consilium.europa.eu/en/council-eu/preparatory-bodies/code-conduct-group/>

⁴ https://taxation-customs.ec.europa.eu/taxation-1/unshell_en

⁵ https://ec.europa.eu/commission/presscorner/detail/en/ip_21_2430

⁶ https://ec.europa.eu/taxation_customs/common-consolidated-corporate-tax-base-ccctb_en

advisable to revisit a proposal like CCCTB to guarantee the effectiveness of the EU single market. Another aspect to be considered is a European approach to cross-border teleworking. It was asked whether the FISC subcommittee intends to take on any initiative in the area of cross-border teleworking. The FISC Chair replied that this issue has been already discussed by the subcommittee (e.g., so-called digital nomads, national schemes for high-net-worth individuals or pensioners). Cooperation is certainly a possibility in this area although EU competences are limited vis-à-vis EU Member States' prerogatives. In addition, this issue concerns mainly personal income taxation (PIT) rather than corporate income taxation (CIT). In relation to CCCTB, changes took place in the public debate (e.g., CbCR, templates for the Global Reporting Initiative (GRI)⁷ or minimum corporate taxation) but more discussion is needed on all available options, in the context of the forthcoming EU project on a new Business in Europe Framework for Income Taxation (BEFIT). The Platform Chair recalled that in April 2021 the Commission tried to bring the topic of the cross-border teleworking to the attention of EU Member States. However, limited interest has been registered so far.

A speaker from a professional association underlined that the FISC work has been instrumental in making taxation a topic visible under the highest priorities of the political agenda. Taxation affects society as a whole and EU institutions are helping in shaping an informed public debate. A comment was raised concerning intermediaries. The Commission is working on a public consultation that should be launched soon. In recent years, DG GROW launched a deregulation package that aimed at making the single market more beneficial for cross-border activities. Tax advisers play a crucial role in making complex tax systems work, helping taxpayers navigating a tax landscape that gets increasingly complicated. Public consultations are particularly welcome here. The FISC Chair acknowledged the important role of tax advisers to support compliance and to make tax systems work, stressing the importance of identifying best practices in the EU. Concerning tax advisers, FISC is also working on anti-money laundering (AML) issues.

A speaker from EuroDaD⁸ praised the FISC work, its track record and its role in increasing democratic scrutiny in the EU. Concerning the Code of Conduct Group, more transparency is needed. In relation to the OECD and transparency, national parliaments questioned the democratic legitimacy of the OECD during the negotiations of Pillar 1 and Pillar 2. Impact assessments of the OECD are not always up to date while the EU ones are limited. In addition, it was advocated that the remaining loopholes under the AML directive should be addressed. Two comments were made. The first one was on windfall profits taxes and if and when the Commission will launch an initiative on them, especially in relation to extra profits made by energy companies or within the context of carbon footprint or environment in general. The second one was about

⁷ <https://www.globalreporting.org/reporting-support/reporting-tools/content-index-template/>

⁸ Following their request, statements by representatives of the European Network on Debt and Development (EuroDaD) are explicitly attributed to EuroDaD.

CbCR. Concern was raised on data that the directive will provide, covering a few countries but not others. It was concluded that this data cannot be used to get a full picture of how much tax multinationals pay and where. CbCR needs more work at EU level, and this should be undertaken urgently. The FISC Chair pointed out the OECD agreement on the two Pillars was monumental. However, concerns concerning transparency and democratic legitimacy of decision-making remain. FISC needs to make the debate on international taxation as much as possible public and political. This is the second round of BEPS⁹, and a third round might take place. A recent visit of a FISC delegation in Washington D.C. dealt with the US implementation of Pillar 1 & 2 and the substantial involvement of middle-income countries in this regard. EU institutions need to make the process of implementing Pillar 1 and Pillar 2 within the EU as open and as democratic as possible, while bearing in mind the inter-governmental nature of this process. Taxes on windfall profits are discussed within the FISC, and a few EU Member States have undertaken initiatives in this area. The idea is gaining momentum, but an EU common approach is not currently in sight. The Platform Chair added that, under the Communication Repower EU¹⁰, the Commission has mentioned the possibility of a windfall profit tax. This was a more an option to consider for EU Member States, rather than an EU common initiative as such. No one size fits all solution exists here as differences across the EU are rather substantial. Within the energy crisis framework, the Commission is monitoring this discussion. If windfall profit taxes are levied, it is important that revenues collected are used to mitigate the steep increase of energy prices, especially for the population at risk of energy poverty. Current energy prices are a challenge for a substantial segment of the population across the EU. The FISC Chair added that, in relation to transparency and Pandora papers, you can observe that a few states in the US are becoming tax avoidance hubs. In Washington, the FISC delegation also raised the point of reciprocity in automatic exchange of information on financial accounts, but the latter appears not to be a priority within the US Senate. The FISC Chair emphasized the importance of public CbCR and that further improvements in this area are on the work program of the EP.

Another business association representative pointed out that windfall profit taxes should be only applied exceptionally. If windfall profit taxes were introduced, compensations for businesses facing difficult circumstances should be implemented too. Today's high profits sometimes correspond to past high losses. Businesses face very different conditions that should be considered. Caution should be used in applying a general CbCR. Within the EU, further administrative costs or reporting duties on businesses should be avoided. The FISC Chair reiterated that CbCR is necessary as transparency is key in rebuilding trust in tax systems. Companies generally are more concerned with information in the public being misused or misinterpreted, rather than with the administrative costs of providing that information. Windfalls profits should be fairly taxed by definition although this has to be done in a timely manner. The Platform Chair

⁹ <https://www.oecd.org/tax/beeps/>

¹⁰ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2022%3A230%3AFIN&qid=1653033742483>

added that windfall profits can be designed and modulated in different way (e.g., UK case).

A professional association speaker added that, against the background of high energy prices and inflation more broadly, tax policy should engage the general public and have all citizens on board. There is an interesting debate on earmarking of taxes to a specific expenditure, in order to assist struggling households facing soaring inflation. It was asked if this is what the EU Commission is analysing in the context of windfall profits taxes, i.e., hypothecation or earmarking of taxes for a specific purpose. Further clarifications would be welcome.

A representative of a business association asked whether the US Congress and the EP (FISC subcommittee) have any cooperation in place and whether common projects already exist. FISC should aim at securing the competitiveness of EU businesses in the world arena. The US Congress is active in promoting the competitiveness of US businesses and is currently reluctant to comply with Pillar 2 rules by reforming the existing US rules Global Intangible Low Tax Income (GILTI) tax regime. They have not started the discussion of Pillar 1 and there is a risk of competitive disadvantage for EU businesses that need to comply with Pillar 2 rules, before other key partners (such as the US) have implemented the same measures. The FISC Chair clarified the goal of the recent FISC mission in the US, i.e., to create a long-term cooperation with its US counterparts. Both parties informed each other on current obstacles on both sides. When discussing with large technology companies' representatives, FISC members made clear that, if Pillar 1 was not implemented, there would be the risk that other policy solutions could be brought back, i.e., a digital service tax (DST). Concerning windfall profits taxes, the Platform Chair clarified that the earmarking of funds is a legal possibility in a number of EU Member States (but not all). As far as windfall profits taxes are concerned, if and when they will be established, it might be advisable that these proceeds are used to achieve tax fairness and support vulnerable population groups. The Platform Chair thanked again the FISC Chair for his participation and emphasized the remarkable cooperation between the relevant Commission services and the FISC sub-committee for a fair and efficient tax policy.

The Debt-equity bias reduction allowance (DEBRA) proposal (presentation by the Commission services)

A Commission representative provided a presentation on the current state of play of the Debt-equity bias reduction allowance (DEBRA) proposal¹¹. It was specified that the impact assessment (IA) conducted by the Commission was extensive. A detailed explanation was provided in relation to the five policy options assessed under the IA and the rationale behind the policy option ultimately adopted by the Commission.

¹¹<https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12995-Debt-equity-bias-reduction-allowance-DEBRA- en>
(Feedback period: May 2022 - 29 July 2022)

Kicking off the Q&A session, a business association representative pointed out that DEBRA intends to tackle a distortion inherent to the corporate tax system. Over the years many discussions have taken place to address this distortion, for instance via different imputation systems (e.g., at shareholders' level). The Commission proposal is entirely anchored within the corporate area. Other Commission initiatives tackle tax avoidance or aggressive tax planning. In the past, the Commission put forward a Directive proposal on disputes resolution mechanism with positive effects on businesses and on the economy in general. DEBRA carried the same expectations for the business world although the current design presents surprising elements worth mentioning. First, the refusal to deduct 15% of the interest cost for businesses. This has not been discussed extensively and, once businesses and EU Member States fully recognise the effect of the interest limitation, the whole proposal could raise some skepticism. In relation to revenues' considerations, businesses might suffer, and this proposal runs the risk of creating bankruptcies across the EU. The current design of the proposal is difficult to justify in relation to parameters such as capital markets' union or equity financing in the economy or excessive indebtedness. It also creates incentives for arbitrage in the economy, possibly leading to substantial differences across the EU. In addition, six Member States have in place some form of notional interest deduction. It remains unclear whether these six countries will be allowed to maintain such system or if the Commission will envisage some phasing out after the allowed ten years. If this phasing out is not planned, this will create a distortion in the single market for the remaining twenty-one Member States and a consequent limitation of deductibility. In terms of subsidiarity, if the six Member States can maintain their system in place, this may show that this issue is better tackled at national level rather than at EU-wide level. The value of the deduction (15% not allowed to deduct) depends on the corporate tax rate (CIT) of the Member State. Even with an equal 15% disallowance in place, economic values will remain unequal across the EU with repercussions on both equal treatment and subsidiarity. Equal treatment on equity capital will not happen due to different shareholders' taxation in the EU. Furthermore, the proposal design seems to underestimate its macro-economic effects and the provided analysis seems rather static. Against the backdrop of high debt levels for corporations and of increasing interest rates, increasing the cost of capital can be negative for businesses, especially for smaller ones. Lastly, similar measures are not applicable to trading partners such as the US and for this reason this proposal raises serious competitiveness concerns.

A Commission representative briefly replied to these remarks. On the impact of the economy, IA simulations for option five, the preferred option eventually included in the DEBRA proposal as adopted by the Commission, show a slightly positive effect on the GDP, without negative effects on employment. On the other hand, option four would have had a negative effect on both GDP and employment. On countries

with allowed grandfathering, the Commission will only allow grandfathering for allowances and equity. For certain Member States, notional interest deductions in place already have a time limit. With the entry in force of the Directive, taxpayers of the affected Member States will only benefit from national deductions until the end of national schemes. The ten years limit has been decided as there is a Member State that has no limit in place. This fact triggered the creation of the ten years limit, to avoid distortions. On subsidiarity, chapter three of the impact assessment makes the case for an EU-level initiative and explains that this proposal avoids resources misallocations within the single market. This EU approach was supported by the public consultation respondents as well. On the 15% disallowance, it is true that its effect will depend on each CIT, but this is also true in relation to allowance on equity. DEBRA is not expected to lead to higher inflation. Finally, coordination between DEBRA and ATAD¹² will be ensured.

A representative from an academic association made a comment on interest deductions. If the main objective of this proposal is limiting the cost for Member States' budget, concerns remain. On grandfathering, six Member States have these allowances without restrictions of interest deduction. Many Member States have already discussed the need to have a notional interest allowance without success. Unanimity is very difficult to achieve as this proposal looks like a building block of the BEFIT initiative with no clear link between the two items. Furthermore, a clearer picture on measures concerning interests or equity treatment is still missing.

A speaker from a professional association raised a question on interest deductibility rules and the interaction of this proposal with Pillar 2. It was added that the denial of such reductions is already included in top-up taxes of Pillar 2. State aid concerns were also expressed in relation to article 5 and anti-abuse provisions of the DEBRA proposal.

The Platform Chair confirmed that DEBRA does not entail a specific interaction with Pillar 2. Pillar 2 scope will be relatively limited. Minimum effective taxation will function as a “floor” to prevent a race to the bottom in tax competition. Concerning the proposal objective, its goal is to rebalance, from a tax point of view, the choice between equity and debt when financing a business. Different options exist and among them there is the full elimination of the interest deduction. This was deemed too disruptive. DEBRA is meant to be a balanced and combined approach that will, at the same time, make equity cheaper and debt more expensive. A Commission representative added that some Member States' rules are not generous with notional interest deduction. DEBRA will apply to all persons subject to CIT, including permanent establishments (except for the financial sector).

¹² https://ec.europa.eu/taxation_customs/anti-tax-avoidance-directive_en

A representative from an academic association pointed out that the creation of the EU capital market seems to be the final goal. However, unresolved issues remain such as unequal access to finance, asymmetric information, market oligopolies and failures of corporate governance. It was asked whether specific studies on businesses' access to finance have influenced the Commission action on DEBRA. It was added that internal sources of finance (e.g., profit retentions or depreciation provisions) are more important than external sources of finance. For this reason, historically some countries such as the UK and Germany have experimented with a differential profit tax (i.e., taxing dividends higher than retentions).

A representative from a tax professionals association pointed out that deductions on investments are generally welcome but the main point concerning taxation, for a multinational, is rather how to move capital cross-border than how to finance new investments. Moving capital cross-border is an issue that goes beyond the choice between equity and debt envisaged by DEBRA. It was enquired how it is possible to get money out of the investment when it comes to the capital. Another point was made in relation to the compliance burden and multiple regulations on the same issues. In Denmark there are two regulations in place concerning interest limitation rules. DEBRA will create a new reporting obligation, on top of existing reporting obligations. Introducing new regulations should entail the elimination of existing ones, in line with the "one in, one out" principle.

A representative from EuroDaD reiterated their skepticism on DEBRA in the current difficult economic context. In these circumstances, increasing tax deductions for already profitable companies is hard to justify. The priority should be to stop large-scale tax avoidance. It has been observed that anti-tax avoidance rules often fall short as tax advice reached sophisticated levels of creativity. Economic models used to estimate the effect of policy proposals such as DEBRA have the tendency of not being able to detect tax avoidance abuses. This can create distortions on the pros and cons of a certain proposal and on its design. The correct approach would be to get rid of loopholes rather than having different types of deductions in place. The complexity of the rules is a problem in itself. There is convergence between business and non-profit stakeholders on the necessity of making tax systems simpler.

A Commission speaker addressed the comments. On interest limitation rule and compliance burden, the Commission adopted the same definition on exceeding borrowing costs used under ATAD. According to Commission calculations, the ATAD rules will be more biting for a restricted group of cases. If companies reduce their indebtedness and use more equity, ATAD will be less and less biting. On flexibility and the possibility to recapture money, an anti-abuse rule in place specifies that, if the amount of net equity decreases in one year, this leads to a taxable allowance for ten years (with the losses' exception). Loss-

making companies have emphasised that the allowance on equity needs to be carried forward. It was also explained that other options would have created negative effects on growth and on employment, and their feasibility appeared limited. The proposal also encompasses several ways to address known schemes to abuse notional interest deductions. A speaker from a business association made a comment on the need to ensure a smooth implementation of this proposal, stressing the importance of having a common approach across all EU Member States, and clearer definitions. A Commission speaker clarified that the definitions of equity and of participation used in DEBRA are taken from the accounting directive. While the risk of differentiated implementation of Directives within the EU exists (unlike with EU regulations), the Commission is trying to avoid discrepancies between EU Member States and will do so when monitoring the implementation of DEBRA.

A speaker from a professional association enquired whether the impact assessment has analysed the indebtedness' level, its effect on the single market or how leveraged EU companies are compared with US companies. A Tax Justice Network¹³ (TJN) representative clarified that one of the EU goals is to foster the transition towards a greener economy. Green transition requires new investments and innovative technology. The impact assessment does not give estimations on DEBRA's revenue effects or on the impact of different policy scenarios on climate. For instance, it could be envisaged to limit DEBRA only to 'green' businesses. The Platform Chair confirmed that the impact assessment was not very granular due to data limitations. The IA adopted a macro-economic approach using a general equilibrium model. The rationale behind was to incentive to use of equity as source of finance for the EU economy. The complexity of the proposal would have been excessive if the Commission had decided to come up with specific rules depending on the sector of activities or the nature of investment. It was also added that a debate among Commission services has concluded that, in general, green investments are rather risky and traditionally funded via equity (and not via debt). Facilitating the access to equity would help the twin transition advocated by the EU. On indebtedness, it was stated that US companies' equitisation is on average higher than EU companies' one.

Tax compliance costs and administrative burden (presentation by Business Europe)

A representative from Business Europe delivered a presentation on tax compliance costs and administrative burden. In 2022, DG GROW published a study¹⁴ on tax compliance costs for SMEs and for businesses in general. Most EU SMEs consider taxation to be the most burdensome policy area that affects them. Companies in the 28 countries in scope (2019) of the study are estimated to incur around EUR 204 billion in

¹³ Following their request, statements by representatives of the Tax Justice Network (TJN) are explicitly attributed to TJN.

¹⁴ https://ec.europa.eu/growth/smes/sme-strategy/taxation-and-smes_en

tax administrative costs each year. In May 2022, an OECD Report¹⁵ for the G7 Finance Ministers reached similar conclusions and provided a set of corporate tax recommendations. Businesses also appreciate the principles of EU Better regulation¹⁶ (evidence-based policy, simplification, and stakeholders' engagement). Despite progress, there is scope to do better in streamlining existing EU regulation and adapting EU tax filing requirements with international standards, in improving impact assessments of tax compliance costs and administrative burden, in making public consultations more user & business friendly and, lastly, for considering more coordinated and efficient tax regulation as a cornerstone of the EU single market.

A Commission representative recalled that in the past several attempts have been made to address tax burdens for taxpayers and tax administrations alike. Information on tax compliance costs is often lacking. Often businesses criticise policy makers for underestimating compliance costs. The Commission services will pay close attention to tax compliance costs in the context of the BEFIT project. The Commission takes seriously the imposition of extra regulation layers and takes stock of what already exists. BEFIT will build on the implementation work already undertaken on Pillar 1 and Pillar 2. The impact of Pillar 1 and Pillar 2 on existing rules is a topic that has not been entirely explored (for instance, with Pillar 2 in place, are all existing anti-abuse rules still necessary?). The coexistence of BEFIT with other related tax measures will have to be addressed.

A speaker from EuroDaD shared the concern of the administrative burden linked to corporate tax rules. It will be very challenging especially for developing countries to implement corporate tax rules revised following the implementation of Pillar 1 and Pillar 2. Questions asked during public consultations sometimes do not capture stakeholders' concerns. In terms of possible solutions, CbCR could better reflect international standards in order to have a single, widely applied standard. There is a risk that international corporate taxation will become even more complex in the near future. If the Pillar 1 and Pillar 2 reform will not be universally applied, unilateral measures will fill the gap, making the international tax system even more complicated. The process of impact assessment needs to be improved in relation to EU tax policy proposals' spillovers on other countries, as part of a broader attempt at ensuring policy coherence for development. It could be worth discussing EU impact assessments and how they can be improved during one of the next meetings of the Platform.

An NGO representative acknowledged the growing complexity of rules and tax compliance costs. Public CbCR, implementation of international tax agreements and more attention to SMEs are crucial. The representative asked whether CCCTB could offer concrete solutions to SMEs and to the functioning of the

¹⁵ www.oecd.org/tax/tax-co-operation-for-the-21st-century-oecd-report-g7-may-2022-germany.htm

¹⁶ https://ec.europa.eu/info/law/law-making-process/planning-and-proposing-law/better-regulation-why-and-how_en

single market. A representative from a professional association enquired on a pilot project conducted by the Commission in relation to cooperative compliance and asked whether any development is available here. A representative from a business association concurred with Business Europe on the need of reducing administrative complexity and of keeping to a minimum the burden of new rules and practices. Digitalisation should be the object of closer cooperation among all stakeholders, to make sure that tax systems benefit (rather than hinder) businesses. Important dynamics are witnessed in relation to public sector digitalisation in the field of tax. A Commission speaker addressed the issue of CCCTB (or future BEFIT). CCCTB focused on larger companies. When it comes to BEFIT, a discussion is ongoing on its scope and applicable threshold (if any). Interviews from stakeholders are taking place and in due course a public consultation will be launched. Adoption of this proposal is envisaged for 2023. Referring to other initiatives that could simplify tax compliance costs, the Platform Chair referred to the real time economy project¹⁷ led by Scandinavian countries, suggesting that such a topic could be presented at one of the next meetings of the Platform. The real time economic project aims, by 2030, at interconnecting in real time all businesses and administrations via a single system. This would allow full transparency and would cover all business operations, spanning from accounting to business transactions. This target is very ambitious, but it would enormously help in reducing tax complexity for all businesses.

The Tax Priorities of the Czech EU Council Presidency (presentation by Czechia)

A representative of the Czech Ministry of Finance presented the tax priorities of the Czech Presidency of the EU Council, which will begin on 1st July 2022. An overview was provided in the field of both direct and indirect taxation. Tax priorities during French Presidency have been heavily impacted by the Russian aggression of Ukraine and some dedicated work has been related to that. This will likely also be the case for the new Presidency. Czechia is committed to cooperate with all EU Member States to guarantee effective work in the Council. A speaker from EuroDaD enquired whether the Presidency has new updates on the sixth AML Directive¹⁸ and on the issue of beneficial ownership (BO) transparency. A professional association representative enquired on a potential effective tax rate (ETR) proposal to be tabled in autumn and the Presidency intentions concerning that file. The Platform Chair confirmed that tabling a proposal on transparency of effective tax rates remains the Commission plan, subject to the adoption of the EU Directive on Pillar 2 beforehand. A representative from TJN stressed the importance of transparency of beneficial ownership information and suggested that the EU should harmonise and make compulsory BO definitions, demanding transparent BO information for all legal vehicles. EU Member States have transposed AML directives and BO legislation in different ways. The EU Commission has opened an infringement against

¹⁷ https://www.prh.fi/en/presentation_and_duties/current_information/projects/real-time_economy.html

¹⁸ https://ec.europa.eu/info/publications/210720-anti-money-laundering-counteracting-financing-terrorism_en

Czechia in this context. Legislative gaps in certain Member States have an impact on the whole EU. The Czech representative said that it is possible that the EU Code of Conduct will pursue work on BO as part of the EU listing process. On the proposal concerning transparency of effective tax rates, once the Commission will present it, the Presidency stands ready to work on it as well. A business association representative expressed their commitment in supporting the new Presidency efforts. A representative from EuroDaD raised the Platform's attention on a March 2022 letter shared by UN rapporteurs and independent experts on the alleged impact of Pillar 1 and Pillar 2 on human rights. Concerns expressed by non-profit organisations are well-noted, yet the fact remains that the Pillar 2 deal represents a historical achievement. With the agreement for the first time in the history of international taxation of more than of 130 countries, a major reform will make the global tax system fairer, something unthinkable even only a few years ago.

Any Other Business

The Chair closed the discussion informing that the next meetings of the Platform will take place (tentatively) on *13 September* and *8 December*. To prepare future meetings, the Secretariat will share with all members a link to a survey for gathering input on possible agenda topics.