



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, AGGRESSIVE TAX PLANNING & DOUBLE TAXATION

held on

**14 December 2023,
09H30 – 13H00**

at

ALBERT BORSCHETTE conference centre, room 2A

1. 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 and Customs Union.

The agenda included:

- Priorities under the incoming Belgian Presidency of the Council of the EU,
- Global Tax Evasion Report 2024 by EU Tax Observatory, and
- UN Tax Resolution

2. Priorities under the Belgian Presidency of the Council of the EU

A Belgian representative presented the priorities during the upcoming semester (January-June 2024). In the field of direction taxation, the Belgian Presidency will strive to advance work on a number of important files, such as UNSHELL, cross-border remote workers, and FASTER. Discussions will also start on the recently adopted package of proposals - Head Office Tax System for SMEs (HOT), Transfer Pricing Directive, and BEFIT – and other tax initiatives to be adopted during the Belgian Presidency (e.g. DAC9). Work will continue on the Code of Conduct on business taxation, FATCA, and the cooperation with the UN. In the field of indirect taxation, high priority will be given to the VAT in the Digital Age package, with the aim to reach an agreement by June 2024. As for customs files, the Belgian Presidency will focus on advancing the customs reform.

Some NGO representatives inquired about other possible proposals not covered in the presentation, such as Pillar One, and asked for more details on the plans to advance the Energy Taxation Directive (recast), UNSHELL, and the Code of Conduct work. Several speakers from business associations expressed their support for the priority given to cross-border remote workers. The Belgian representative assured to give proper follow-up to any relevant upcoming proposals.

As for the work of the Code of Conduct Group, they informed that the geographical scope has been recently extended to 3 new jurisdictions (Brunei Darussalam, Kuwait and New Zealand) and discussions will continue on whether there is merit to revisit the approach to selecting jurisdictions for screening. To further strengthen the EU listing process, the Code of Conduct Group will also be working on the future criterion on beneficial ownership information (criterion 1.4). Technical discussions are ongoing on the design of its key components (sub-criteria), in close cooperation with the OECD.

The Commission complemented with positive developments on Pillar One: according to the latest OECD Inclusive Framework announcements, the Multilateral Convention is expected in March 2024, with a possible signature in June 2024. The Commission fully supports the ambition to have the agreement swiftly and will keep on working towards ensuring a successful delivery in the EU.

3. Global Tax Evasion Report 2024, EU Tax Observatory

Gabriel Zucman, founding director of the EU Tax Observatory (EUTO), presented the main findings of their report, which focuses on the progress made in fighting international tax evasion

and harmful tax competition. This report consolidates the findings of more than 100 global researchers and makes use of new data deriving from recent policy initiatives, such as country-by-country reporting and automatic exchange of bank information.

The report found that, in large part thanks to the automatic exchange of financial account information, offshore tax evasion by wealthy individuals has declined, but not disappeared. The landmark global minimum tax of 15% on multinational corporations has been significantly weakened by a growing list of loopholes (i.e. substance carve-outs, preferential treatment of refundable tax credits, various safe harbours, among others). The ongoing subsidies' race for green-energy producers may more than offset the revenue gains from the global minimum corporate tax, but, as a form of tax competition, needs to be accompanied by compensating measures, in order to avoid risks of increasing inequality. Furthermore, domestic tax evasion is on the rise. Global billionaires are achieving effective tax rates of 0% to 0.5% on their wealth, largely through the widespread use of shell companies to evade income taxation.

To address the issues identified in the report, the EUTO made six proposals, among which features the introduction of a global minimum tax of 2% on billionaires, with an estimated annual revenue potential of nearly \$250 billion from fewer than 3000 individuals. In addition, a strengthened global minimum tax on multinational companies - without loopholes - could generate an additional \$250 billion annually. A key message of the report is that tax evasion is not a law of nature but a policy choice. International coordination to curb tax evasion is ideal, but it is also possible to make major progress through unilateral action.

Members of the Platform showed much interest in the report and asked follow-up questions on its methodology and some of its findings. A speaker from an NGO supported the idea of a wealth tax and wondered about the possibility of introducing it at EU level. Representatives of Member States intervened to provide brief information on how wealth taxation has been considered at the national level recently. Speakers from business associations underlined the need for tax systems that would stimulate economic growth and ensure fair competition for businesses. In particular, a business representative raised the issue of the high degree of complexity of Pillar Two and called for simplification of the corporate income tax system. Speakers from a professional association and an NGO saw merit in further assessing the effectiveness of existing anti-tax avoidance measures, also to identify which of them may be duplicative of the global minimum tax. A representative from an academic association called for greater public availability of country-level data and the removal of siloes on its use, to facilitate further research, ensure greater statistical transparency and political accountability.

In his replies, Gabriel Zucman agreed that the EU could capitalise on the momentum created by Pillar Two and the upcoming Brazilian Presidency of the G20 to push for a global wealth tax. He agreed that the data from country-by-country reporting should be fully public and there is scope to improve the automatic exchange of information and the design of Common Reporting Standards (CRS). Suggestions include a more systematic use of CRS data to pre-populate tax returns and adding real estate in the scope of automatic exchange of information.

In turn, the Commission informed about the launch of a study on the proper implementation of the Anti-Tax Avoidance Directive, which will feed into a general evaluation of a number of Directives that amended the Directive on Administrative Cooperation over the last years. This will be tabled in 2024. The Commission is also exploring ways to improve the exchange of information through TADEUS - a forum for the heads and deputy heads of Member States' tax

administrations. This is in line with the EU's commitment to continuously improve tax transparency rules for multinationals.

4. UN Tax Resolution – Exchange of views on negotiations

The Commission recalled the evolution of the politically sensitive debate on international tax cooperation in the UN since the adoption of the Resolution on the “Promotion of inclusive and effective international tax cooperation at the United Nations” in December 2022. One of the milestones was the publication of the UN Secretary General report, with three options to enhance the role of the UN in tax-norms shaping: (1) a legally binding multilateral convention on tax; (2) a framework convention on international tax cooperation; and (3) a framework for international tax cooperation. The negotiations that followed proved to be controversial. On the one hand, the Africa Group, supported by other like-minded UN Members, supported more legally binding options (option 1 or 2). On the other hand, the EU and its Member States, but also the US, the UK, Japan, among others, welcomed this discussion but warned about the risks of duplication or inconsistent outcomes with the progress achieved in other international fora. On 22 November, a vote at the Second Committee of the United Nations General Assembly confirmed large support for the Framework Convention on International Tax Cooperation. As regards the next steps, the final adoption of the Resolution by the UN General Assembly is expected on 19 December. With a view to prepare for the next steps in the UN negotiations and the possible engagement of the EU and its Member States early next year, the members of the Platform were encouraged to share their views on what the scope and other key elements of the future Framework Convention should be and how to maximise collaboration and synergies on tax matters between the UN and OECD, in collaboration with other relevant international fora.

Representatives of NGOs and the academia defended the positions of the Global South, arguing that it is high time that the global tax system was reformed in a way that it duly takes the interests of developing countries into account. Some speakers also pointed to the fact that a UN process is an opportunity to strengthen the global efforts to combat international tax dodging, which is not just in the interest of the Global South but in fact all countries.

Moreover, speakers from NGOs and private sector welcomed the more inclusive and transparent discussions at the UN, with a possible focus on taxation at source, simplification of tax systems, and more tax transparency. Some speakers also referred to more transparency in the negotiation and voting process. . Another speaker suggested using the future Framework Convention as an opportunity to focus on the link between taxation and sustainable development, exploring topics linked to climate action, assets registry, or wealth taxation, among others.

Speakers from business, trade and professionals' associations contended that the main priority should be to focus on tax certainty and avoid fragmentation of international tax standards and principles. In addition, the outcomes of the two pillar reforms by the OECD have been referred to as overly complex by business representatives. Some NGO representatives argued that the UN tax convention could build on some of its landmark achievements and further improve the overall two pillar approach. The speaker from the OECD and the Commission recalled the achievements of the Base Erosion and Profit Shifting project and advised against re-opening negotiations, which were concluded with much effort and promising outcomes to the benefit of all.

Despite divergent views, many members of the Platform stressed the need to have an open, constructive, multi-stakeholder debate at different levels, including within the Platform. Some

urged for more constructive positions and noted the need to avoid politicised discussions. Different speakers also underlined the need to improve communication between experts from the Ministries of Foreign Affairs and Ministries of Finance to ensure coordination as necessary.

5. Any Other Business

The next Platform meeting is planned for 29 February 2024 (date still to be confirmed).