

EU Tax Policy and the ACE Network

Why an engaged ACE network is key to EU tax policy

Overview

New EU Tax Rules (e.g, Pillar 2, BEFIT, HOT, TP, Public CbCR etc) require MS support

- Tax rules initiated in the Commission and require unanimity in Council. EU Parliament has an advisory role
- Effectiveness of these rules depends on **consistent implementation and application**, which starts in the Directive, ends in enactment by individual MS legislation and administration by Tax Authorities
- Most proposals impact all of our members

The ACE Network should cooperate to support our members throughout the legislative process

- Cooperation can guide debates in the Council to prevent bad policy and inconsistent implementation
- The ACE Network can share updates on their MS' implementation, best practices for advocacy (e.g., for consistency), and reinforce key messages at MS level

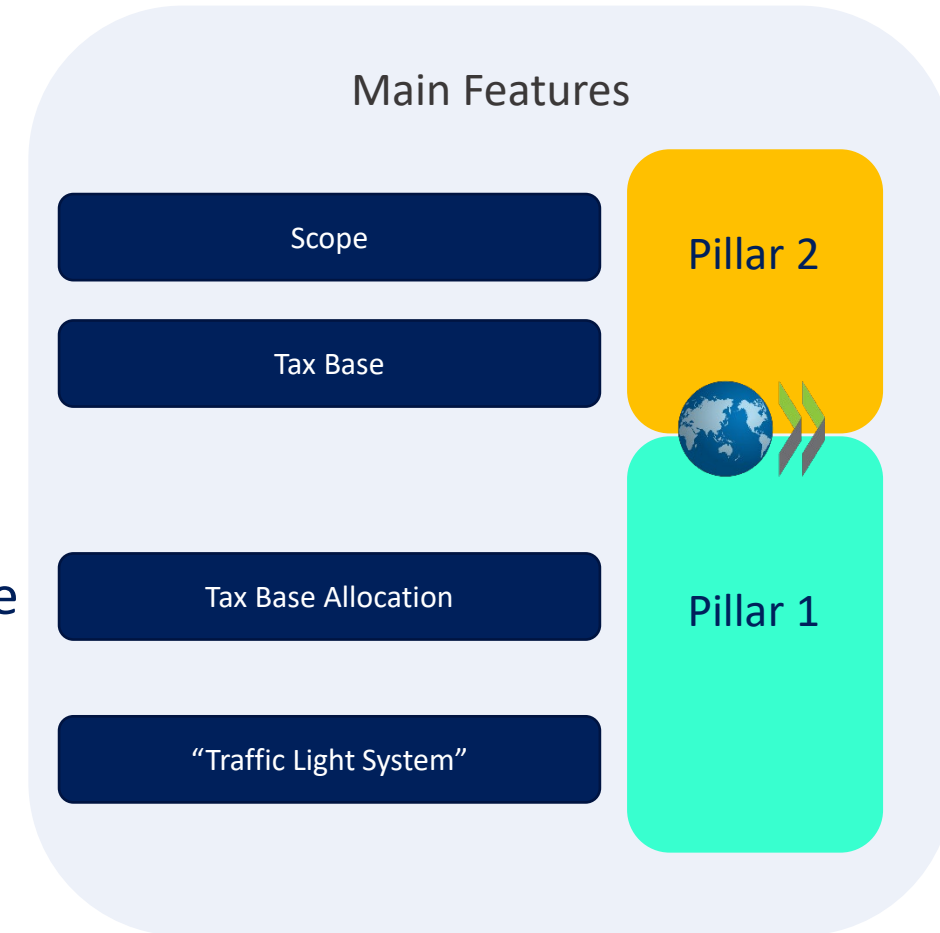
EU Tax Policy and the ACE Network

Business in Europe: Framework for Income Taxation (BEFIT)



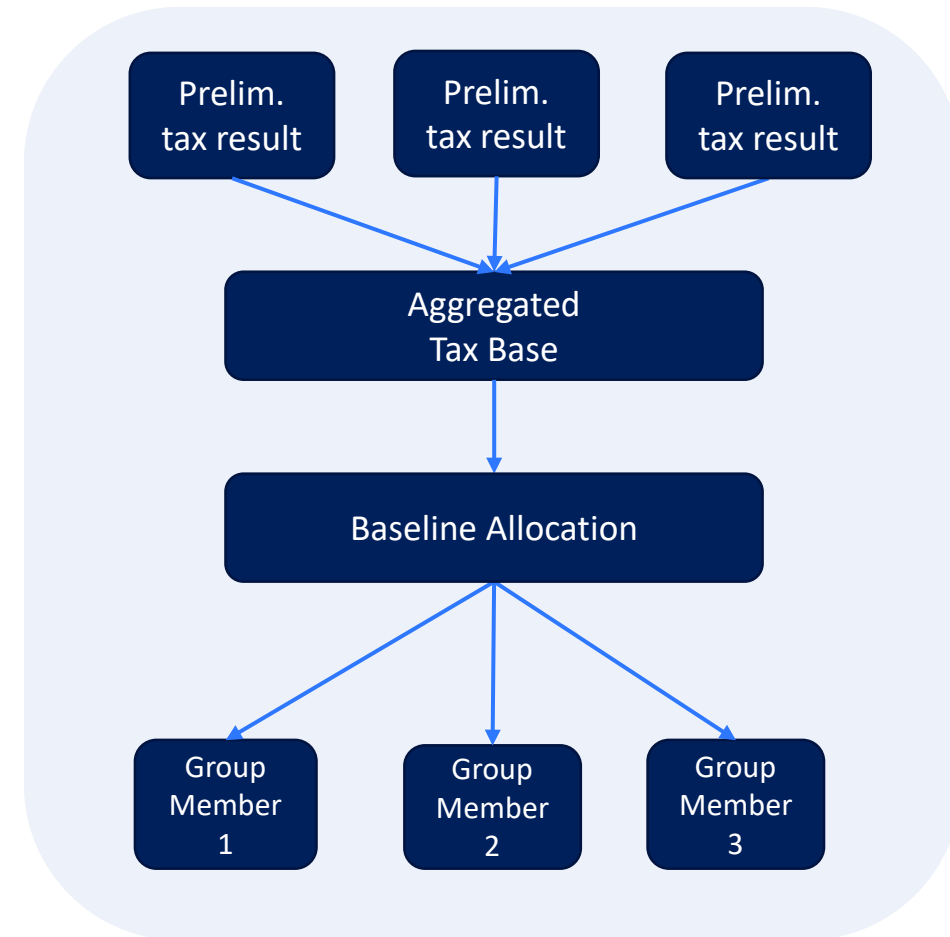
BEFIT: Changing how corporates are taxed

- **One common framework across the EU**
- Takes inspiration from the **OECD/G20 “Two Pillar Solution”** to the Digitalisation of the Economy
 - From Pillar 2: Scope, Tax Base Computation
 - From Pillar 1: Tax Base Allocation and Transfer Pricing Simplification
- **Mandatory** for EU members of a group with global annual combined revenues of EUR 750 million or more
- Optional for EU members of other groups (of smaller size)

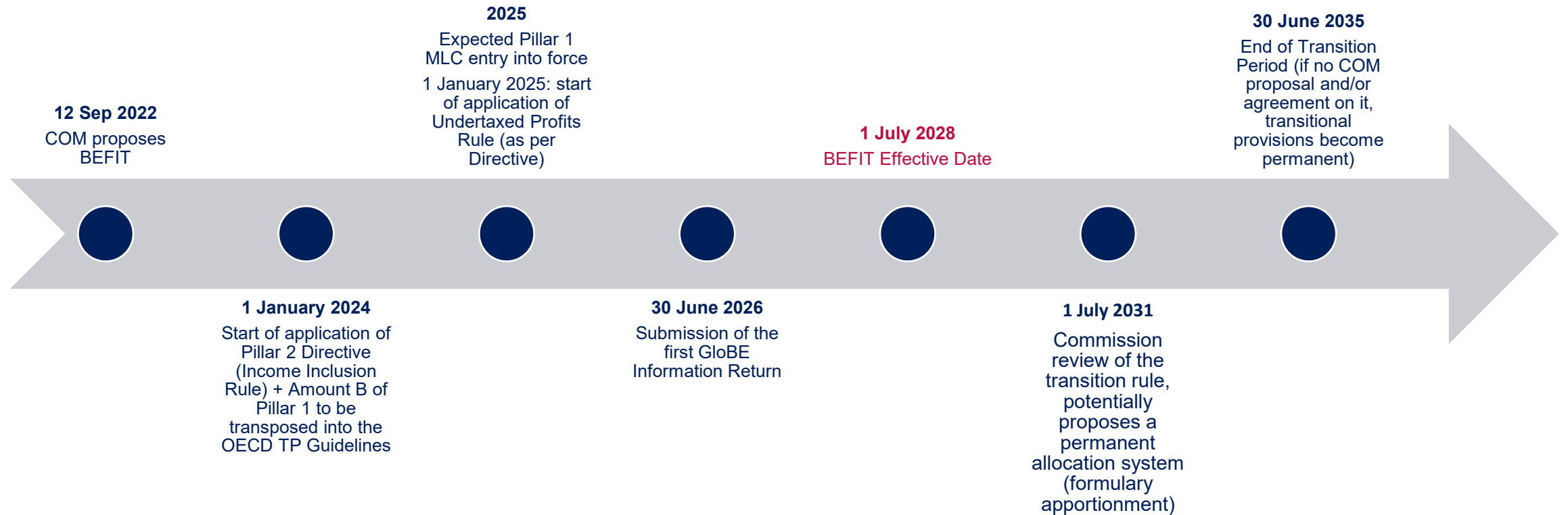


Calculating the Taxable Base

1. In scope companies will provide preliminary tax results to the EU based on their **financial accounts**, with **limited tax adjustments**
2. **The aggregated tax base** will be derived
3. The aggregated tax base will be allocated to each BEFIT group's members via the **transition allocation rule**
 - Reflects the average of the taxable results of group members in the last 3 fiscal years
 - May pave the way to a permanent allocation method: formulary apportionment
4. MS receive a share for each group member **to be taxed nationally**
 - Subject to additional national tax adjustments



BEFIT Timeline



EU Tax Policy and the ACE Network

Public Country-by-Country Reporting (CbCR) Directive Implementation



New Public Reporting Requirements

Who will it cover?

- **Non-EU Headquartered Companies** with:
 - A €750m threshold **and** a medium or large subsidiary in the EU, **or**
 - Branches in the EU that meet the net turnover requirements (below)
- Companies that meet **two of the following criteria**:
 - €8m net turnover
 - €4m balance sheet
 - 50 employees on average
- **Non-EU parented banks** which fall beyond the scope of CRD IV with **above-threshold revenues**

What will be reported?

Companies will have to publish a report including...

- Description of activities
- Number of FT employees
- Revenue
- P/L before income tax
- Income tax accrued (current year)
- Income tax paid (cash basis)
- Amount of accumulated earnings

... on a **per country basis** for EU and “non-cooperative tax jurisdictions”, and an **aggregate basis** for the rest of the world

Implementation status

- 22 June 2023 transposition deadline
- Effective first AP commencing after 22 June 2024
- Implementation optionality:
 - Safe-guard clause
 - Website publication
- Transposition status (as at Aug 2023)
 - 12 MS adopted legislation
 - 4 published draft legislation
 - 11 Not initiated transposition
- Key Deviations
 - Early application (RO 1 Jan 2023; SE 31 May 2024)
 - Reporting deadline (ES 6 months after P/E)
 - Scope extended to EEA (FR, RO, SE)

EU Tax Policy and the ACE Network

The Importance of ACE Network Cooperation



The Value of an Engaged ACE Network

Consistency is key

- EU tax legislation's success relies on **sound policy** and **consistent implementation across member states**
- Inconsistent implementation can create complicated reporting/compliance requirements across member states, increasing **liability risk** and **decreasing members' appetite** to invest in the EU
- Consistency starts with **strong harmonization requirements** in the Directive, and ends with **proportionate implementation** in the capitals

ACE has the power

- An active **ACE Network** can monitor consistent implementation across EU governments and **share risks of divergence**, implementation **status updates**, and **best practices** for advocacy on different packages
- ACE cooperation can also assert pressure on the Council through national governments



Thanks!



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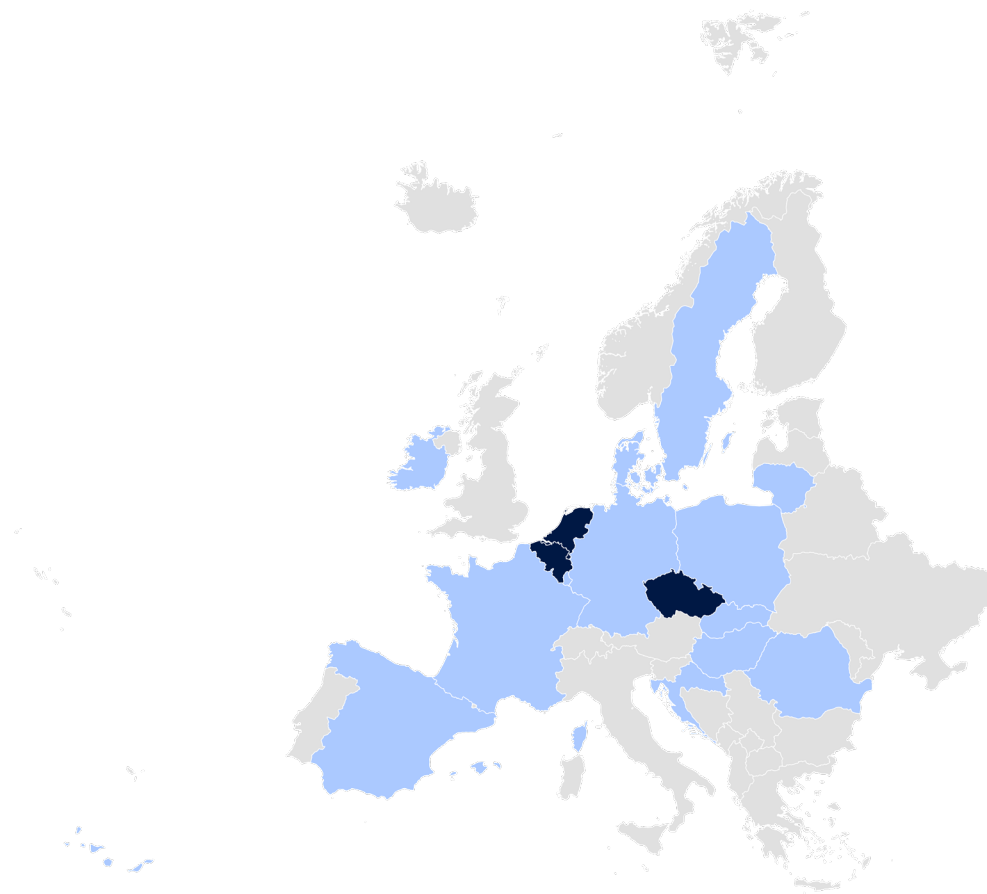
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Back-up



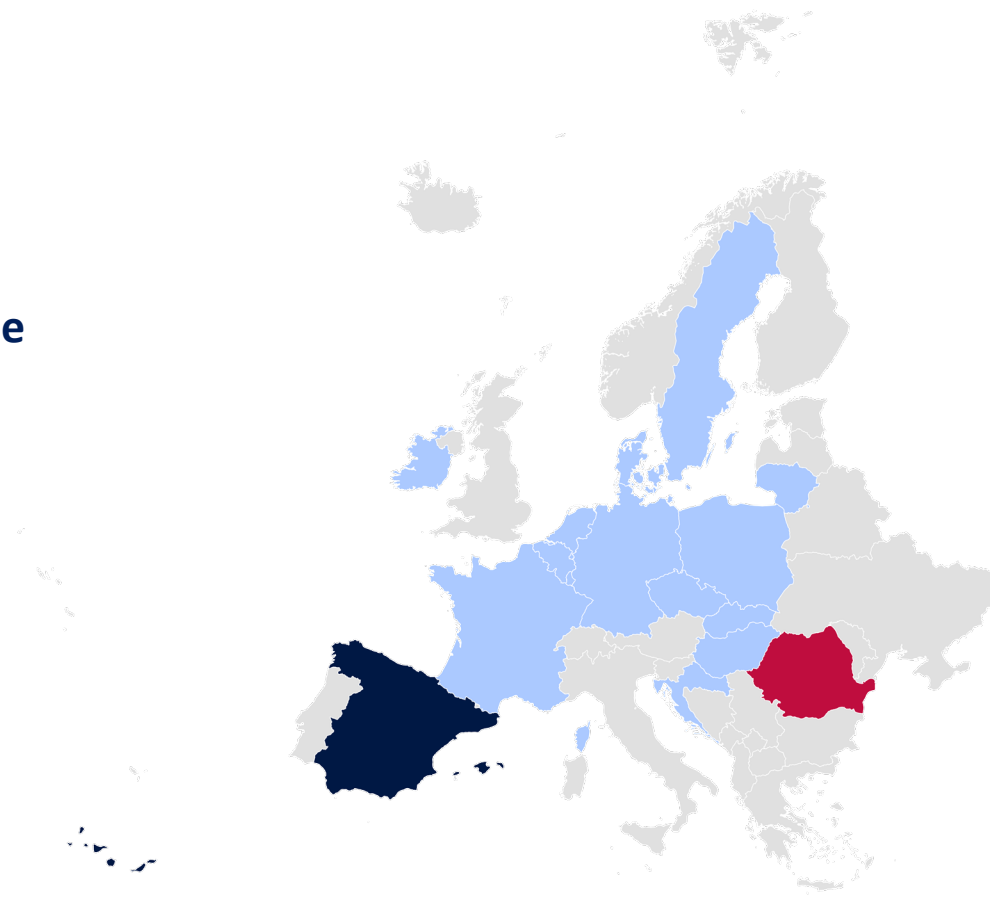
CbCR Implementation: Legislative Status

- ❖ Draft legislation Released
- ❖ Legislation passed



CbCR Implementation: Reporting Timeline

- ❖ Early Reporting
- ❖ First reporting year on or after **22 June 2024**
- ❖ First reporting year on or after **1 January 2023**



CbCR Implementation Issues

Safe-guard clauses

(HU, SL, GE)

Additional data requirements

(HU, FR, SWE, RO)

Shorter Reporting Deadlines

(ES)

Exceeding minimum standard

Early Adoption

(RO, SWE)

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Business in Europe: Framework for Income Taxation (BEFIT)



Administration of Common Rules

- **One-Stop-Shop** procedures
- BEFIT Group Information Return will be dealt with centrally via the Filing Authority
- **BEFIT Teams**
 - Representatives from each tax authority
 - Outcome of Aggregation & Allocation of the tax base
 - Permanent coordination structure
 - Audits remain at local level but are coordinated by the BEFIT teams

