



European Commission  
Taxation and Customs Union

# ***ACTIVITIES OF THE EUROPEAN UNION (EU) IN THE TAX FIELD IN 2010***



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# **ACTIVITIES OF THE EUROPEAN UNION (EU) IN THE TAX FIELD IN 2010**

## **1. PERSONAL AND CORPORATE TAXATION**

### **1.1 Taxation of savings**

Widespread tax evasion through the use of Liechtenstein foundations which came to light at the beginning of 2008 once again demonstrated the importance of international cooperation in the area of savings taxation and international developments in 2010 have further confirmed this. The application since July 2005 of the provisions of the Savings Taxation Directive<sup>1</sup> (EUSD) and of the related Agreements concluded with 5 European third countries (Switzerland, Liechtenstein, Monaco, Andorra and San Marino) and 10 dependent or associated territories of the United Kingdom and the Netherlands should certainly be considered as an important step forward in this process. The provisions of the EUSD and the related Agreements aim to ensure that through the automatic exchange of information between tax authorities or by means of a withholding tax with revenue sharing (this second method is within the EU only applied on a transitional basis by two Member States), savings income in the form of interest payments received by individuals resident in the EU is made subject to effective taxation, in accordance with the laws of the Member State of residence, whether this income is obtained in the EU or in the other participating third countries and dependent or associated territories.

The Commission put forward, on 13 November 2008, a proposal<sup>2</sup> to close identified loopholes in the EUSD. The Commission proposal notably seeks to better ensure the taxation of interest payments which are channelled through intermediate tax-exempted structures (trust, foundations...). It also proposes to extend the scope of the EUSD to income equivalent to interest, such as income arising from investments in certain innovative financial products and life insurance products.

In parallel with this review process of the EUSD, as requested by the Council on 9 June 2009, formal consultations have been opened with the Swiss Confederation, the Principality of Liechtenstein, the Republic of San Marino, the Principality of Monaco and the Principality of Andorra to examine their availability to amend their existing Savings Taxation Agreements with the EU in line with the outcome of the review of EUSD "level playing field". Discussion also covered the follow-up to the commitments made by these countries to comply with the OECD standards as regards the exchange of information for taxation purposes, including the non-application of the banking secrecy in this context. Similar steps in relation to savings are also being taken towards the dependent and associated territories of the United Kingdom and the Netherlands which already apply the same measures as those provided by the EUSD in its present form. The Commission continues to conduct exploratory talks with Singapore, Macao and Hong-Kong with a view to promoting the EUSD, as a further development to the commitments to exchange of

<sup>1</sup> Council directive 2003/48/EC of 3 June 2003, OJ L157/38

<sup>2</sup> COM(2008) 727 of 13 November 2008



information on request in accordance with the OECD standards which have recently been taken by these important financial centres. The Commission is also conducting formal negotiations with Norway, at the request of the latter and on the basis of a mandate received from the Council, with a view to concluding an agreement providing for cooperation between the EU and Norway in the form of measures equivalent to those of the EUSD.

Discussions on amending the EUSD are ongoing at Council level and most, if not all, technical issues have been resolved. It has not yet been possible to reach a final consensus on the amending text, mainly due to two outstanding political issues: the timing of the end of the transitional period during which two Member States (and some dependent territories outside the EU) are allowed to levy a withholding tax instead of providing for the automatic exchange of information; and the question whether the entry into application of the amending measures should be made conditional on equivalent changes to the existing savings agreements with key third countries like Switzerland.

In these circumstances, priority was given by the Council in 2010 to finalising discussions on the new Directive on Administrative Cooperation (see chapter 4.1), but it is expected that taxation of savings will again be high on the agenda of the ECOFIN Council during the Hungarian Presidency in the first half of 2011.

Detailed information is available on Internet through the following link: [http://ec.europa.eu/taxation\\_customs/taxation/personal\\_tax/savings\\_tax/savings\\_directive\\_review/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/personal_tax/savings_tax/savings_directive_review/index_en.htm)

## **1.2 Good Governance in the Tax Area**

The Commission continued in 2010 negotiations (18 ongoing) with third countries or third countries' groupings in view of including a provision on good governance in the tax area.

On 24 April, the Commission has adopted an ambitious action plan for EU action to speed up progress towards the Millennium Development Goals. The EU Action Plan proposes ways to ensure increase of the aid by Member States and supports the need for innovative sources of financing. Among other matters in the framework of the plan, the Commission promotes the principles of good governance in tax matters and supports the fight against tax evasion at international level.

See the Communication from the Commission on Tax and Development - Cooperating with Developing Countries on Promoting Good Governance in Tax Matters:

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/publications/com\\_reports/taxation/com\(2010\)163\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/publications/com_reports/taxation/com(2010)163_en.pdf)

The Commission received for the budget 2010 an extra appropriation amounting to EUR 800,000 on the European Parliament's initiative. This extra appropriation was used to finance actions directly linked to the promotion of good governance in tax matters in developing countries.

The European Parliament adopted a resolution on 10 February 2010 on promoting good governance in tax matters.



### **1.3 Transfer pricing issues**

In 2010 the Joint Transfer Pricing Forum (JTPF) adopted two reports: Guidelines on low value adding intra group services and a report on potential approaches to non EU transfer pricing triangular cases.

The first report aims to reduce the amount of resources dedicated to determine whether these kind of low value adding services are provided in accordance with the arm's length principle. The guidelines provide a set of recommendations that should lead to fewer disputes on this topic.

The second report provides suggestions to eliminate double taxation when the tax dispute is to be considered as a transfer pricing triangular case involving EU Member States and non-EU countries. The potential approaches described will have to be considered under the specificities of each case but should help to achieve faster elimination of double taxation.

Both reports are part of a Commission Communication that has been published on 25 January 2011. On the same date the Commission decided to extend the mandate of the EU Joint Transfer Pricing Forum until March 2015.

### **1.4 Code of Conduct for business taxation<sup>3</sup>**

The Code of Conduct group deals with implementation of a 1997 Code of Conduct aimed at eliminating situations of harmful tax competition in the EU. The Code of Conduct group is responsible for assessing and reviewing Member States' tax measures, with a view to the rolling back of tax measures deemed as harmful (where a favourable tax regime in one Member State attracts businesses from other Member States) and for monitoring "standstill". The Code of Conduct Group reports on its work at the end of each Presidency.

During the Spanish and Belgian Presidency of the EU, the Code of Conduct Group continued monitoring standstill and implementing rollback as well as, amongst other things, carrying on the work under the Work Package agreed by the Council (ECOFIN) in December 2008 (anti-abuse rules, administrative practices and the promotion of the application of the principles and criteria of the Code in third countries).

### **1.5 Common consolidated corporate tax base (CCCTB)**

In 2010, work was focused on the preparation of a detailed impact assessment and the drafting of a legislative proposal. However, some detailed technical aspects and the impact assessment still require some further work, and this work is continuing.

A workshop with Member States and Key stakeholders took place on 20 October 2010.

The CCCTB would enable companies to follow the same rules for calculating the tax base for all their EU-wide activities, rather than in accordance with the existing 27 systems, thereby, simplifying procedures, improving efficiency and reducing compliance costs. Member States would retain full sovereignty over their tax revenues as they would continue to set their own national tax rates.

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<sup>3</sup> Council Conclusions of the ECOFIN Council meeting of 1 December 1997



More information can be found on the dedicated web pages:

[http://ec.europa.eu/taxation\\_customs/taxation/company\\_tax/common\\_tax\\_base/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/company_tax/common_tax_base/index_en.htm)

### **1.6 Cross-border interest and royalty payments**

The Commission carried out a public consultation on taxation applicable to interest and royalty payments between associated companies of different Member States.

The objective of this initiative is to clarify existing legislation whilst extending its benefits to a wider range of companies by: including other legal forms of companies; reducing the threshold to be considered associated company; taking account indirect shareholdings to compute the total holding; alternatively, extending the exemption to payments between unrelated parties. It will also be proposed to solve a potential technical problem derived from the requirement that the payment be a tax deductible cost for the permanent establishment making it by stating that the directive covers payments linked to the activity performed by such an establishment.

Furthermore, it is intended to introduce a stricter 'subject to tax' condition for the application of the Directive, in the sense that interest and royalty payments are excluded from the exemption from withholding tax when the recipient of the payment is a company which in its state of residence is not taxed on these payments.

### **1.7 Cross-border inheritance tax obstacles within the EU**

Member States' inheritance tax rules as applied in cross-border situations may hinder EU citizens from benefiting fully from their right to move and operate freely across borders within the Internal Market and create difficulties for the transfer of small businesses on the death of owners.

First, EU citizens may be exposed to tax discrimination. Second, there is the risk of taxation of a single inheritance by several Member States with no comprehensive relief for the double taxation.

The Commission has worked on several different fronts to obtain more evidence of the extent of any cross-border inheritance tax problems within the EU and to find solutions to any problems identified. The Commission undertook a public consultation<sup>4</sup> on current cross-border inheritance tax obstacles within the EU and possible approaches to tackling these problems. The Commission also commissioned and published, as a reference document to the inheritance tax consultation, a study<sup>5</sup> by external consultants on "Inheritance taxes in EU Member States and possible mechanisms to resolve problems of double inheritance taxation in the EU". In addition, the Commission held discussions on the matter with Member States and also with experts.

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<sup>4</sup> [http://ec.europa.eu/taxation\\_customs/common/consultations/tax/2010\\_06\\_inheritance\\_en.htm](http://ec.europa.eu/taxation_customs/common/consultations/tax/2010_06_inheritance_en.htm)

<sup>5</sup> For the study see:

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/consultations/tax/2010/08/inheritance\\_taxes\\_report\\_2010\\_08\\_26\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/consultations/tax/2010/08/inheritance_taxes_report_2010_08_26_en.pdf) and for the Annex to the study see:

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/consultations/tax/2010/08/inheritance\\_taxes\\_report\\_2010\\_08\\_26\\_attachment\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/consultations/tax/2010/08/inheritance_taxes_report_2010_08_26_attachment_en.pdf)



The Commission has been preparing an impact assessment to analyse problems of discrimination and double taxation of cross-border inheritances, on the basis of which the Commission will decide on the best solution and accordingly adopt an initiative in mid-2011.

### **1.8 Council Resolution on coordination of the controlled foreign corporation (CFC) and thin capitalisation rules within the European Union**

In May 2010 the Council adopted a Resolution on coordination of the controlled foreign corporation (CFC) and thin capitalisation rules within the European Union. This is a welcome and good example of the coordination approach advocated by the Commission<sup>6</sup> being capable of bringing tangible results in respect of very complex and at times sensitive tax issues. The Resolution contributes to an improved understanding of the concept of "wholly artificial arrangements" in the direct tax field.

### **1.9 Double tax conventions within the EU**

The Commission carried out a public consultation on Double Tax Conventions and the Internal Market: factual examples of double taxation cases.

The results of the Public Consultation seem to confirm that, notwithstanding several planned and ongoing initiatives e.g. the possible CCCTB, the Joint Transfer Pricing Forum, the double taxation obstacles identified in 2001 remain and there are also some additional problems to be addressed such as the insufficiency of existing instruments to address double taxation situations, and the improper functioning of existing instruments to relieve double taxation.

The Commission will consider the results of the Consultation and plans to issue a Communication during the 2nd quarter 2011.

For further information:

[http://ec.europa.eu/taxation\\_customs/common/consultations/tax/2010\\_04\\_doubletax\\_en.htm](http://ec.europa.eu/taxation_customs/common/consultations/tax/2010_04_doubletax_en.htm)

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<sup>6</sup> The discussions that lead to the adoption of this resolution were inspired by the Commission initiatives dating back to December 2006 (COM(2006) 823 "Co-ordinating Member States' direct tax systems in the Internal Market" and to December 2007: COM(2007)785 "Application of anti-abuse rules in the direct tax area – within the EU and in relation to third countries"



## **2. VALUE ADDED TAX (VAT)**

### **2.1 Green Paper on the future of VAT**

On 1 December 2010, the Commission adopted a Green Paper on the future of VAT [COM(2010)695] - "Towards a simpler, more robust and efficient VAT system", by which it launched a wide public consultation on how the EU VAT system can be strengthened and improved, to the benefit of citizens, businesses and Member States.

The Green Paper puts all the other aspects of the VAT system under review. The main topics raised centre on how to achieve a simpler, more robust and efficient VAT system to reduce collection and compliance costs whilst limiting fraud and providing flexibility for Member States. This consultation process is running until 31st of May 2011.

The text of the Green Paper is available at this web link:

[http://ec.europa.eu/taxation\\_customs/common/consultations/tax/2010\\_11\\_future\\_vat\\_en.htm](http://ec.europa.eu/taxation_customs/common/consultations/tax/2010_11_future_vat_en.htm)

### **2.2 Fight against VAT fraud**

#### **2.2.1 EUROFISC**

On 18 August 2009 the European Commission adopted a proposal for a recast of the Regulation on administrative cooperation in the field of valued added tax, extending and reinforcing the legal framework for the exchange of information and cooperation between tax authorities. One of the key elements of the proposal is the creation of a legal base to set up EUROFISC: a common operational structure allowing Member States to take rapid action in the fight against cross border VAT fraud. The Commission today also adopted a report on the functioning of the administrative cooperation.

On 5 May 2010 the European Parliament adopted a legislative resolution on this proposal.

On 7 October the Council adopted the recast Regulation.

The EUROFISC network, in which all 27 Member States participate, was officially launched on 10 November 2010. At its first meeting the internal rules of procedure were adopted, the EUROFISC liaison officials were appointed and the chair was elected. In addition agreement was reached on the different working fields, which means the different types of repetitive fraud situations the network will look after. In the meantime, all experts participating in these working fields have been appointed and will start their activities early 2011.

Further information on the strategy to improve anti-fraud measures can be found at:

[http://ec.europa.eu/taxation\\_customs/taxation/tax\\_cooperation/reports/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/tax_cooperation/reports/index_en.htm)



### **2.2.2 Measures for a consistent response to carousel fraud in certain sectors**

VAT fraud is a major concern for Member States' revenues and the correct functioning of the Internal Market. A common and particularly severe form of this fraud is VAT carousel fraud. This particular fraud costs billions of Euros to the EU finances every year. It is often organised on a large scale, sometimes by criminal organisations.

Carousel fraud is traditionally organised with small goods of high value. Recently, several Member States reported cases of carousel fraud on greenhouse gas *emission allowances*.

In order to allow Member States to take rapid action against this kind of fraud, the Commission has adopted in 2009 a proposal for a Directive allowing the application of a reverse charge mechanism on supply of five categories of particularly fraud sensitive goods and services, namely: computer chips, mobile phones, precious metals, perfumes and greenhouse gas emission allowances.

The possibility for all Member States to opt for the application of reverse charge under the same conditions to a limited list of goods and services provides Member States with the necessary tool to tackle worrying fraud phenomena in a flexible manner while ensuring consistency in the response Member States give to carousel fraud and avoid fraud relocation. It will also give valuable experience for evaluating the efficiency of such a measure.

On 10 February 2010 the European Parliament adopted a legislative resolution on the proposal.

On 16 March the Council adopted part of this proposal, based on limiting the scope of the measure to greenhouse gas emission allowances. Discussions will continue on the remaining part of the proposal.

The text of the proposal is available at this web link:

[http://ec.europa.eu/taxation\\_customs/index\\_en.htm](http://ec.europa.eu/taxation_customs/index_en.htm)

### **2.3 VAT rates**

On 24 June 2010, the Commission presented a proposal to prolong the minimum standard VAT rate of 15% until the end of 2015. On 23 November 2010 the European Parliament adopted a legislative resolution on the proposal. This proposal was adopted by the Council on 7 December 2010.

### **2.4 Review of the VAT rules on invoicing**

On 28 January 2009, the Commission adopted a proposal to change the VAT Directive 2006/112/EC in respect to the invoicing rules, based on a Communication on the technological developments in the field of electronic invoicing. The aim of the proposal is to increase the use of electronic invoicing, reduce burdens on business, support small and medium sized enterprises (SMEs) and help Member States to tackle fraud. The proposal simplifies, modernises and harmonises the VAT invoicing rules. In particular, it eliminates the current barriers to e-invoicing in the VAT Directive by treating paper and electronic invoices equally. The proposal is a key element of the Commission's Action Programme to



reduce burdens on business by 25% by 2012, and is part of the Commission's strategy to combat VAT fraud more efficiently.

The Commission believes that it is necessary to increase the up-take of electronic invoicing, by removing the pre-conditions of advanced electronic signatures or electronic data interchange (EDI) for sending invoices electronically. On 5 May 2010 the European Parliament adopted a legislative resolution on the proposal. On 13 July 2010, the Council adopted the Directive on VAT invoicing, creating the conditions for equal treatment of paper and e-invoicing.

### **2.5 VAT package: place of taxation for services - mini one stop shop for electronically supplied services and VAT refund to non-established businesses**

The VAT Package, which was adopted by Member States at the ECOFIN Council in February 2008, provides for new provisions which will see VAT for business-to-business services paid in the country of consumption rather than the country where the supplier is located, while for business-to-consumer services, VAT will continue to be paid in the Member State in which the supplier is established. It also provides for a faster, more effective electronic procedure for businesses to reclaim the VAT that they pay in a Member State other than the one in which they are established. For more information, see: [http://ec.europa.eu/taxation\\_customs/index\\_en.htm](http://ec.europa.eu/taxation_customs/index_en.htm).

On 17 December 2009, the Commission presented a proposal for an Implementing Regulation addressing, among others, difficulties linked with the implementation of the new rules concerning the place of supply of services. This proposal was extensively discussed in the Council during 2010, allowing the reaching of a political agreement on 18 January 2011.

On 15 July 2010, the Commission adopted a proposal to postpone the deadline for the submission of VAT refund requests related to 2009. In view of the late implementation by Member States of the new VAT refund procedure, which came into force on 1st January 2010, the Commission proposed giving more time to taxpayers to introduce their requests for VAT refund. At the same time, the Commission proposes granting the Commission the power to take decisions harmonising some features of the national VAT refund web portals in order to make them more interoperable and accessible for taxpayers.

On 22 September 2010 the European Parliament adopted a legislative resolution on the proposal.

On 18 October 2010, the Council adopted in part this Directive. The new directive provides for the exceptional extension of the deadline for the submission of refund applications for expenses incurred in 2009 from 30 September 2010 to 31 March 2011. Discussions will continue in Council on the part relating to the harmonisation of the technical features.



## 2.6 VAT grouping

On 2 July 2009 the Commission adopted a Communication setting out its position on VAT grouping schemes. The EU VAT legislation gives Member States the option, for the purpose of administrative simplification, to regard as one single taxable person those who, while legally independent, are closely bound to one another by financial, economic and organisational links. The Communication includes guidelines which aim at ensuring a correct, coherent and uniform application of the VAT grouping option.

Having examined national provisions the Commission referred in June 2010 the cases, where Member States violated the EU law, to the Court.

## 2.7 VAT treatment of insurance and financial services

The 2007 Commission proposal is aimed at clarifying and updating the definitions and rules governing insurance and financial services – which are exempt from VAT – thus increasing legal certainty for economic operators and tax administrations, reducing administrative burdens and reducing the impact of hidden VAT in the costs of service providers. The existing definitions were established in the 1970s and have led to uneven interpretation by the Member States.

This proposal remains under discussion in Council.

## 2.8 VAT derogations: Council decisions concerning individual Member States

On the basis of Article 395 of Council Directive 2006/112/EC, Member States may be authorised to derogate from the common VAT rules to simplify the procedure for charging the tax or to prevent certain types of tax evasion or avoidance. Such derogations have been authorised under the following different procedures:

- Council Decisions authorised by the Council under the procedure provided for in Article 395(2) and Article 395(3);
- Council Decisions tacitly approved under the former Article 27(4) of the Sixth VAT Directive<sup>7</sup>;
- Special measures that were applied by the Member States before 1st January 1977 and that were notified to the Commission before 1st January 1978, under Article 394.

The list reflecting the present state of play concerning the derogations applicable is available on the EUROPA website:

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<sup>7</sup> Sixth Council Directive of 17 May 1977 on the harmonisation of the laws of the Member States relating to turnover taxes – Common system of value added tax: uniform basis of assessment (OJ L 145, 13.6.1977, p. 1). This Directive was repealed in its entirety by Directive 2006/112/EC with effect from 1 January 2007 while the provisions of Article 27(4) of the Sixth Directive referred to were deleted by Council Directive 2004/7/EC of 20 January 2004 amending Directive 77/388/EEC concerning the common system of value added tax, as regards conferment of implementing powers and the procedure for adopting derogations (OJ L 27, 30.1.2004, p. 44)



[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/key\\_documents/table\\_derogations/vat\\_derogations\\_options\\_directive\\_112-06\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/table_derogations/vat_derogations_options_directive_112-06_en.pdf)

## **2.9 Public consultation on simplification of VAT collection procedures in relation to centralised customs clearance**

The Commission ran a Public consultation on simplification of VAT collection procedures in relation to centralised customs clearance.

"Centralised clearance" introduced in Article 106 of the Modernised Customs Code is a possibility for the importers that hold an authorisation for this purpose to both declare and pay customs duties to the customs administration of their Member State of authorisation, independent from the actual place of import and destination of goods within the EU.

However, under the present rules of the VAT Directive (Directive 2006/112/EC), the importers, even using centralised clearance, would still be subject to VAT obligations in each Member State of physical arrival and destination of goods.

Therefore, keeping the import VAT system unchanged would run against the simplification objective of the Modernised Customs Code and against the Commission-wide objective of easing administrative burden on businesses.

The possible solutions were analysed by VAT and customs experts in the relevant working groups of the Commission dealing with these issues.

## **2.10 Consolidated version of the VAT Directive**

Consolidated version of the VAT Directive was published on 26 January in the EUR-Lex data base.



### **3. EXCISE DUTIES AND OTHER INDIRECT TAXES**

#### **3.1 General provisions applicable on excise duties**

On 1 April 2010, a new electronic system for monitoring and controlling the movement of excise goods (alcohol, tobacco and energy products) within the EU became operational. The Excise Movement and Control System (EMCS) will make intra-Community trade in excise goods cheaper and simpler for operators, while also making it quicker and easier for Member States to tackle excise fraud.

Further information on the EMCS can be found at:

[http://ec.europa.eu/taxation\\_customs/taxation/excise\\_duties/circulation\\_control/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/excise_duties/circulation_control/index_en.htm)

#### **3.2 Tobacco**

On 16 February, the Council adopted a Directive <sup>8</sup>updating EU rules on the structure and rates of excise duties on cigarettes and other tobacco products

The Directive is intended to ensure a higher level of public health protection by raising minimum excise duties on cigarettes, whilst bringing the minimum rates for fine-cut tobacco gradually into line with those for cigarettes.

The new directive includes provisions concerning cigarettes in regard to which the Council decided to gradually increase, by 1 January 2014, the monetary minimum excise rate. Moreover, the new rules allow for transitional periods for cigarettes arrangements until 1 January 2018 for member states that have not yet achieved, or have only recently achieved, the current minimum rates or quantitative restrictions for cigarettes. Additionally, the Council decided to gradually increase the minimum excise duty requirements for fine-cut tobacco and further harmonise the structure of tobacco tax legislation (such as replacing the most popular price category by the weighted average price, updating product definitions and widen the scope for the specific tax component).

Further information on tobacco taxation can be found at:

[http://ec.europa.eu/taxation\\_customs/taxation/excise\\_duties/tobacco\\_products/legislation/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/excise_duties/tobacco_products/legislation/index_en.htm)

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<sup>8</sup> COUNCIL DIRECTIVE 2010/12/EU of 16 February 2010 amending Directives 92/79/EEC, 92/80/EEC and 95/59/EC on the structure and rates of excise duty applied on manufactured tobacco and Directive 2008/118/EC



#### **4. ALL TAXES: TAX AVOIDANCE AND EVASION MEASURES**

##### **4.1 Administrative cooperation in the assessment of taxes**

On 2 February 2009 the Commission adopted a proposal for a Directive aiming at improving mutual assistance between Member States' tax authorities in the assessment of taxes.

One of the novelties of the proposal<sup>9</sup> is its wider scope, as it covers all taxes except those that are dealt with under a specific European Community legislation, i.e. VAT and Excise duties.

The proposal aims to help Member States to efficiently cooperate at international level, in order to overcome the increasing difficulties that they are experiencing in properly assessing taxes due. The proposal provides clearer and more precise rules in the area of cooperation. In particular, it sets up common rules of procedures, common forms, formats and channels for exchanging information. It also allows tax administration officials in one Member State to be on the territory of another Member State and to participate actively – with the same powers of inspection – in administrative enquiries carried out there.

One of the main elements of the new draft Directive is to tackle the question of bank secrecy being invoked to refuse cross border co-operation. Based on the OECD Model Convention, the proposal contains a provision by which a requested Member State cannot refuse to supply information concerning a taxpayer of the requesting Member State solely because this information is held by a bank or other financial institution. As such, the proposal abolishes bank secrecy in the relations *between tax authorities when a requesting Member State is assessing the tax situation of one of its resident taxpayers*.

Another crucial element of the proposal is that Member States are obliged to provide the same level of cooperation to their EU partners as they have agreed to with any third country, thus stressing the specific EU dimension.

On 10 February 2010 the European Parliament adopted a legislative resolution on the proposal.

The Council reached a political agreement on this proposal on 7 December 2010.

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<sup>9</sup> COM(2009)29



#### **4.2 Mutual assistance for the recovery of claims relating to certain levies, duties, taxes and other measures.**

On 10 February 2010 the European Parliament adopted a legislative resolution on the proposal for a Directive concerning mutual assistance for the recovery of claims relating to taxes, duties and other measures.

On 16 March 2010, the Council adopted Directive 2010/24/EU.<sup>10</sup> This directive is based on a proposal adopted by the Commission on 2 February 2009.

The new Directive aims at facilitating and improving recovery assistance between the Member States. The new measures relate in particular to:

- an extension of the scope, to cover all taxes and duties levied by the Member States and their regional or local authorities;
- the introduction of a uniform notification form and a uniform instrument permitting enforcement in the requested Member State;
- the possibility to request recovery assistance in an early stage of the recovery process, as this leads to an increase of the recovery chances;
- a simplification of the rules to be used when requesting or providing mutual assistance.

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<sup>10</sup> Directive 2010/24/EU



## **5. TAX COORDINATION IN GENERAL**

### **5.1 Innovative financing options**

On 6 April, the Commission services published a staff working document assessing the main sources of innovative financing under discussion. The analysis shows that for some of the instruments a "double dividend" of both raising revenues and improving market efficiency and stability could be reaped, in particular by putting a price on risk-taking in the financial sector and on carbon emissions. It also emphasises that global coordination will be essential for a successful implementation of most instruments of innovative financing. It shows, however, that actions at the EU level alone should not be discarded.

The Staff Working Document assesses the potential of innovative financing at a global level related to the financial sector, climate change and development in order to help identify the most promising options. At its meeting of October 2009, the European Council had invited the Commission to examine innovative financing at a global level.

The global economic and financial crisis has created important needs for fiscal consolidation in EU countries and around the world. In addition, resources must be found to meet key global challenges with significant budgetary implications in the areas of financial stability, climate change and development.

Global coordination will be essential for a successful implementation of most instruments of innovative financing, which underlines the importance of participation by other relevant key players, many of them members of the G-20. Actions by the EU alone would be less effective but could be considered, particularly if there are good reasons to expect that an EU role of global leadership would be followed by other key countries. For many of the innovative financing instruments uncoordinated action by individual countries could create considerable problems.

The document is available at:

[http://ec.europa.eu/economy\\_finance/articles/international/documents/innovative\\_financing\\_global\\_level\\_sec2010\\_409en.pdf](http://ec.europa.eu/economy_finance/articles/international/documents/innovative_financing_global_level_sec2010_409en.pdf)

### **5.2 Financial Sector Taxation**

European Parliament adopted a resolution on 10 March 2010 on financial transaction taxes.

On 7 September, the Council held an exchange of views on the options regarding financial industry contributions in the wake of the financial crisis. Discussions covered the coordination of levies on banks and other financial institutions and the possible introduction of a financial transaction tax.

On 7 October, the Commission set out its ideas for the future taxation of the financial sector. Working on the basis that the financial sector needs to make a fair contribution to public finances, and that governments urgently need new sources of revenue in the current economic climate, the Commission puts forward a two pronged approach. At global level, the Commission supports the idea of a Financial Transactions Tax (FTT), which could help fund international challenges such as



development or climate change. At EU level, the Commission recommends that a Financial Activities Tax (FAT) would be the preferable option. If carefully designed and implemented, an EU FAT could generate significant revenues and help to ensure greater stability of financial markets, without posing undue risk to EU competitiveness. The Commission will carry out an Impact Assessment of these options.

For further information see the Commission communication:

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/com\\_2010\\_0549\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/com_2010_0549_en.pdf)

### **5.3 Tax Policy Group**

The Tax Policy Group was established in 1996 as a high-level group for strategic discussion on tax policy issues at a European level. It played an important role in the success of the "Tax Package" in the late 90s.

On 12 October, Commissioner Algirdas Šemeta chaired the first meeting of the new Tax Policy Group, which brings together personal representatives of EU Finance Ministers to discuss key tax policy issues. The Group works on fundamental topics such as how taxation can contribute to a stronger Internal Market, to the growth and competitiveness of Europe's economy and to a "greener" economy. It also serves as a forum for deeper discussion on priority matters, such as financial sector taxation, common consolidated corporate tax base and the new VAT Strategy.

The Group provides a regular fixed forum for high-level discussions to explore the scope and priorities for tax policy coordination within Europe. It helps the Commission and Member States to exchange views on proposals before they are put on the table, and to push forward discussions on important taxation dossiers.



## **6. FISCAL STATE AID DECISIONS**

DG TAXUD is consulted on all fiscal state aid cases.

For decisions on fiscal state aid cases see the state aid register on the website of the Directorate General for Competition of the European Commission at:

[http://ec.europa.eu/comm/competition/state\\_aid/register/ii/#by\\_instrument](http://ec.europa.eu/comm/competition/state_aid/register/ii/#by_instrument)

The State aid provisions of the EC Treaty provisions apply when a tax measure is discriminatory and provides an advantage only to certain enterprises, or certain activities.

The Commission has been given the exclusive power under the Treaty to take decisions on whether or not aid granted by Member States is compatible with the Treaty.

The Commission may require that illegally granted aid be repaid by recipients to the public authorities which granted it. The Member State must recover the aid immediately in accordance with domestic procedures. Commission decisions can be challenged before the European Court of Justice. On application by a Member State, the Council may, acting unanimously, decide that aid which that State is granting or intends to grant shall be considered compatible with the common market, if such a decision is justified by exceptional circumstances.



## 7. INFRINGEMENT PROCEEDINGS LAUNCHED BY THE COMMISSION

The Commission is the 'guardian of the Community Treaties'. It monitors the Member States' application and implementation of primary and secondary Community legislation, institutes infringement proceedings in the event of any violation of Community law (Article 258 TFUE) and, if necessary, refers the matter to the Court of Justice. It should be noted that most cases could be closed without a trial before the Court. Over the last few years, efforts to prevent violation of Community rules have become a major part of the Commission's work.

The XXVIIth Annual Report on monitoring the application of Community law (2009) was published in 2010<sup>11</sup>.

See also the press releases on infringements included in the "infringement" pages of the website of the Directorate General for Taxation and the Customs Union. They are presented by policy area<sup>12</sup> and by country<sup>13</sup>.

Where it detects a failure to comply with Community law, the Commission may initiate the procedure for failure to fulfil an obligation provided for in Article 258 of the Treaty on the functioning of the European Union.

In 2010, DG TAXUD opened 99 **new infringement cases**, whereby 80 were related to indirect taxes (VAT: 46; Excise duties: 22; Car, energy and environmental taxation: 12) and 19 were related to direct taxes.

In most of the cases, this implies that DG TAXUD sent to the Member States concerned a letter of formal notice, the first stage of the infringement procedure, inviting them to submit their observations within two months.

At the date of 31 December 2010, 307 infringement cases, were still ongoing (148 were related to indirect taxes (VAT: 107; Excise duties: 18; Car, energy and environmental taxation: 23) and 159 to direct taxes).

During 2010, 131 infringement cases were **closed after Member States modified their national legislation** and therefore complied with Community Law.

These figures clearly reveal the **Commission plays an important role in correct implementation of European legislation** into national law and therefore ensures uniform application of EU legislation in all Member States.

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<sup>11</sup> See:

[http://ec.europa.eu/community\\_law/infringements/infringements\\_annual\\_report\\_27\\_en.htm](http://ec.europa.eu/community_law/infringements/infringements_annual_report_27_en.htm)

<sup>12</sup> See:

[http://ec.europa.eu/taxation\\_customs/common/infringements/infringement\\_cases/bypolicy/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/bypolicy/index_en.htm)

<sup>13</sup> See:

[http://ec.europa.eu/taxation\\_customs/common/infringements/infringement\\_cases/bycountry/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/infringements/infringement_cases/bycountry/index_en.htm)



## **8. EUROPEAN COURT OF JUSTICE JUDGEMENTS**

For judgements of the European Court in 2010 in the tax field see the website of the ECJ at <http://curia.europa.eu/en/index.htm>

Ad-hoc Press releases are published at <http://curia.europa.eu/en/actu/communiqués/index.htm>

See also the website of the Directorate General for Taxation and the Customs Union at [http://ec.europa.eu/taxation\\_customs/common/legislation/case\\_law/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/legislation/case_law/index_en.htm)

This section provides a catalogue of the case law in direct taxation, in indirect taxation (e.g. VAT, car taxation and excise duties) and the latest lists of Court cases in the area of customs.

## **9. ACTIVITIES OF THE EUROPEAN PARLIAMENT**

Like all parliaments, the European Parliament has three fundamental powers: legislative power, budgetary power and supervisory power. In the ordinary legislative procedure the European Parliament and the Council of Ministers together adopt legislation proposed by the Commission. Parliament therefore has to give its final agreement. In the tax field, however, the European Parliament provides its opinion on Commission proposals in the tax field but the proposal is not adopted unless there is unanimous agreement by the EU's Council of Ministers. Second, the European Parliament and the Council are the two arms of the budgetary authority. Parliament exercises democratic oversight of all Community activities. In this context, it can set up committees of enquiry, table questions on Commission proposals and it plays a central role in appointing the Commission.

The Opinions delivered in 2010 on tax issues by the Parliament's Committee for Economic and Monetary Affairs and by the Committee for Legal Affairs and the Internal Market and Consumer Protection Committee, and parliamentary questions and answers on tax subjects, are to be found on the Parliament's website at [http://www.europarl.europa.eu/news/public/default\\_en.htm](http://www.europarl.europa.eu/news/public/default_en.htm)

## **10. ACTIVITIES OF THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE (ECOSOC)**

This Committee is also required to provide its opinion on Commission proposals in the tax field. It can also provide opinions in the taxation field at its own initiative. See website at: [http://www.eesc.europa.eu/index\\_en.asp](http://www.eesc.europa.eu/index_en.asp)

## **11. ACTIVITIES OF THE COMMITTEE OF THE REGIONS**

The Committee of the Regions adopts opinions on tax proposals that have regional implications. See website at <http://www.cor.europa.eu/>



## 12. Tax Publications of the European Commission in 2010

### 12.1 Report "Taxation Trends in the European Union"

The 2010 Report shows that the European Union is, taken as a whole, a high tax area. In comparison with the rest of the world, the EU27 tax ratio remains generally high and more than one third above the levels recorded in the USA and Japan. The overall tax-to-GDP ratio in the EU27 was 39.3% in 2008, the first year of the economic and financial crisis, compared with 39.7% in 2007. The EU27 tax ratio was 40.6% in 2000, fell to 38.9% in 2004 and then rose until 2007. The overall tax ratio in the Euro area (EA16) fell to 39.7% in 2008 compared with 40.4% in 2007. Since 2000, taxes in the Euro area have followed a similar trend to the EU27, although at a slightly higher level.

This report contains a detailed statistical and economic analysis of the tax systems of the Member States of the European Union, plus Iceland and Norway, which are Members of the European Economic Area. The data are presented within a unified statistical framework (the ESA95 harmonised system of national and regional accounts), which makes it possible to assess the heterogeneous national tax systems on a fully comparable basis.

The standard classifications of tax revenues (by major type of tax or by level of government) presented in most international tax revenue statistics are hard to interpret in economic terms. This publication stands out for offering a breakdown of tax revenues by economic function (i.e. according to whether they are raised on consumption, labour or capital). This classification is based on disaggregated tax data and on a breakdown of the revenue from the personal income tax. Besides revenue data, the report also contains indicators of the average effective tax rate falling on consumption, labour and capital, as well as data on environmental taxation and on the top rates for the personal and corporate income tax.

Country chapters give an overview of the tax system in each of the 29 countries covered, the revenue trends and the main recent policy changes. Detailed tables allow comparison between the individual countries and European averages. Data cover the 1995-2008 period and are presented both as a percentage of GDP and as a percentage of total taxation

This year's edition of the Taxation trends in the European Union appears two years from the start of a global recession, which has brought forth a wide range of tax policy measures. The measures up to spring 2010 are synthesised and quantified in a box in the report; an update till June 2010 can be found using the link below. This year's edition also introduces data series on cyclically adjusted total tax revenues, complementing the detailed analysis of nominal tax revenues. Furthermore, in light of the possible accession of Iceland to the EU, the coverage of the report was extended to Iceland, and the VAT rate coverage was extended back to 2000.

The report is available at the following page:

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/gen\\_info/economic\\_analysis/tax\\_structures/2010/2010\\_full\\_text\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/gen_info/economic_analysis/tax_structures/2010/2010_full_text_en.pdf)

In addition, as a complement to the report, DG TAXUD makes available on its website statistics on tax revenue by individual tax for each Member state. The data covers all main



taxes and are supplied to the EU statistical office Eurostat by the National Statistical Offices. The data file can be downloaded through the Taxation Trends page mentioned above.

## 12.2 Taxes in Europe Database

In 2010, the Commission updated its "Taxes in Europe Database", an internet tool providing citizens, business and researchers with information on around 600 most important taxes in the EU Member States. Using a methodology agreed with the Member States, this database includes information about the main aspects of each tax, as well as economic and statistical data such as the revenue generated. The database is equipped with a powerful search tool, allows for easy comparison among Member States and can be found at the following website:

[http://ec.europa.eu/taxation\\_customs/taxinv/welcome.do](http://ec.europa.eu/taxation_customs/taxinv/welcome.do)

## 12.3 Taxation papers series.

Taxation Papers<sup>14</sup> are written by the Staff of the European Commission's Directorate-General for Taxation and Customs Union, or by experts working in association with them. Taxation Papers are intended to increase awareness of the work being done by the staff and to seek comments and suggestions for further analyses. Responsibility for "Taxation papers" rests solely with the authors and, in this regard, they do not necessarily represent the position of the European Commission.

### Taxation Paper published in 2010:

- *Taxation Paper No 20: 'The 2008 financial crisis and taxation policy'. Written by Thomas Hemmelgarn and Gaëtan Nicodème.*
  - o *The 2008 financial crisis is the worst economic crisis since the Great Depression of 1929. It has been characterised by a housing bubble in a context of rapid credit expansion, high risk-taking and exacerbated financial leverage, leading to deleveraging and credit crunch when the bubble burst. This paper discusses the interactions between tax policy and the financial crisis. In particular, it reviews the existing evidence on the links between taxes and many characteristics of the crisis. Finally, it examines some possible future tax options to prevent such crises.*
- *Taxation paper No 21: 'Taxation and the quality of institutions: asymmetric effects on FDI'. Written by Serena Fatiga.*
  - o *This paper analyzes, both theoretically and empirically, the effect of tax policies and institutional quality on the allocation of FDI .two aspects that the economic literature has extensively investigated, though only in isolation. A simple two-country partial equilibrium model is used to study competition among governments vying for potential investors whose location choices are driven by both the quality of institutions and the corporate tax rate. Modeling good governance as a public*

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<sup>14</sup> See:

[http://ec.europa.eu/taxation\\_customs/common/publications/services\\_papers/working\\_papers/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/publications/services_papers/working_papers/index_en.htm)



*good, it is shown that the jurisdiction providing better institutions is able to levy a higher tax on capital. Moreover, provided firms are sensitive enough to institutional quality, it attracts a larger share of investment than the low-quality/low-tax location. The main predictions of the model are tested on FDI stocks to 63 economies using a "simple difference gravity" equation derived from discrete choice theory of firms' location. Using a pair of destination countries as the unit of analysis eliminates the need to control for multilateral interdependence among receiving countries, a source of possible bias in the traditional gravity specification in the levels. The empirical evidence corroborates the claim that the sensitivity of foreign investment to the tax rate varies significantly between host countries characterized by deferent levels of institutional quality. The findings are robust to a number of sensitivity checks and to the use of instrumental variables to tackle endogeneity of the institutional quality variable.*

- *Taxation paper No 22: 'Company car taxation'. Written by Copenhagen Economics.*
  - o *This study reviews the extent to which the current taxation of company cars artificially promotes the use of such cars beyond its underlying merits. The key question is whether the employees by way of the free use of such cars receive benefits that are under-taxed relative to alternative salary remuneration. A favourable tax treatment of company cars is distorting and imposes a welfare cost to the society. It encourages car ownership and affects the choice of car model, as well as driving habits, and in this way aggravates the environmental problems caused by the transport sector. In fact, evidence from Belgium and the Netherlands suggests that pure business use represents only 20-30 percent of company car use<sup>2</sup>, the rest being private use. This study presents new, nearly EU wide estimates of the level of subsidies to company cars. In addition it also provides some preliminary rough illustrations of the possible effects of such subsidies on economic welfare and environment and discusses the policy implications.*
  
- *Taxation paper No 23: 'Innovative financing at a global level'. First published as European Commission Staff Working Paper [SEC/2010/409](#).*
  - o *The analysis in this Staff Working Document suggests that there are some instruments, notably certain forms of contributions from the financial system and the pricing of carbon emissions, where a significant "double dividend" of both raising revenues and improving market efficiency and stability could be reaped. In particular, schemes aimed at pricing leverage and risk-taking in the financial sector could raise substantial revenues while limiting undesirable behaviour by financial institutions and could be administered at a reasonable cost. Moreover, while such schemes would benefit from an internationally coordinated approach, in particular within the G-20, the fact that they are likely to generate more moderate shifts in the tax base abroad than other proposals means that, even in the absence of proper international coordination, an EU initiative on the matter could be explored. Regarding carbon pricing, important sources are already in place in the EU through the auctioning revenues under the ETS from 2013 on and carbon taxes in several Member States. In the field of carbon taxation, an EU framework could reduce some of the potential problems in the Single Market. In this context, it will be important to take into account the interaction between carbon taxation and the*



*EU's Emission Trading Scheme (ETS). In order to address risks of carbon leakage if key global players do not follow the EU's example by implementing comparable climate action, the ETS foresees the free allocation of emission allowances to energy-intensive sectors. Finally, relevant experiences of innovative financing for development also have some potential of being scaled up further, although the revenue-raising capacity of these instruments is likely to be more moderate.*

- *Taxation paper No 24: 'Monitoring tax revenues and tax reforms in EU Member States - Tax policy after the crisis'. Written by European Commission Services.*
  - o *The financial and economic crisis resulted in severe challenges for public finances in many EU Member States. Tax revenue, which had been boosted during the boom years by tax-rich growth and rising asset prices, plummeted as a consequence of the automatic stabilisers inherent in the tax system, a reversal of the revenue windfalls from asset prices and the discretionary measures taken in support of domestic demand. Against this background, the report analyses tax revenue developments and recent tax reforms in EU Member States. It looks at tax policy issues related to the crisis and how reforms of the tax system could contribute to bringing public finances back on a sustainable path in a growth-friendly way, including the role tax coordination in the EU might play in this context.*
  
- *Taxation paper No 25: 'Financial sector taxation'. Written by European Commission Services. First published as Staff Working Document SEC(2010)1166*
  - o *This document analyses potential instruments to raise additional tax revenues from the financial sector. It is organised as follows. The first section reviews the current policy objectives related to the taxation of the financial sector. The main goals driving this debate are: the use of taxation as (1) a complement to regulation to correct for negative externalities stemming from the activities of the financial sector, which include the effects of excessive risk-taking; (2) to ensure that the financial sector pays a fair and substantial contribution to public finances, in particular with regard to the economic and financial crisis; (3) to raise funds in the context of the exit-strategy. Section 1 also briefly discusses the link between taxation and regulation.*
  
- *Taxation paper No 26: 'Financing Bologna Students' Mobility'. Written by Marcel Gérard*
  - o *The current system for financing cross-border students, based on the host country, is neither sustainable nor efficient: it produces too little cross-border education. On that background, and motivated as well by a recent decision of the European Court of Justice, we explore two alternative solutions. The first one substitutes to the financing by the host country, a financing by the country of origin, through vouchers that the student may use at home or abroad provided it is in a recognized institution. The second one, potentially an efficient design, combines that substitution with a reimbursement of education costs through inter-jurisdictional transfers or the change of vouchers into contingent loans.*



## 12.4 Other publications

### *VAT- gold coins*

Article 345 of Council Directive 2006/112/EC requires the Commission to publish the complete list of gold coins in conformity with the criteria envisaged in Article 344, paragraph 1, point 2), of that Directive, in the part "C" of the Official Journal of the European Union before 1 December of each year. The coins included in this list shall be deemed to fulfil those criteria throughout the year for which the list is published. The list valid for the year 2011 was published in the Official Journal of the European Union of 27 November 2010 (C 322).

### *VAT in the European Union*

Detailed information on VAT obligations in the different Member States is available at this web link:

[http://ec.europa.eu/taxation\\_customs/taxation/vat/traders/vat\\_community/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/vat/traders/vat_community/index_en.htm)

### *VAT refunds*

Detailed information on national rules relating to cross-border refunds (directive 2008/9/EC and Directive 86/560/EEC) is available at this web link:

[http://ec.europa.eu/taxation\\_customs/taxation/vat/traders/vat\\_refunds/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/vat/traders/vat_refunds/index_en.htm)

### *VAT rates in Member States*

The list of VAT rates applied in the Member States of the EU is available at this web link:

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/how\\_vat\\_works/rates/vat\\_rates\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/how_vat_works/rates/vat_rates_en.pdf)

### *Excise duty rates in Member States*

The list of excise duty rates applied on alcohol beverages, tobacco or energy products, in the Member States is available at this web link:

[http://ec.europa.eu/taxation\\_customs/taxation/excise\\_duties/alcoholic\\_beverages/rates/index\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/excise_duties/alcoholic_beverages/rates/index_en.htm)

### *Consultations of the VAT Committee by Member States*

Certain provisions of the VAT require Member States to consult the VAT Committee before they introduce national legislation.

The latest list reflecting the consultations made is available at this web link



[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/key\\_documents/vat\\_committee/Consultations\\_VAT\\_Committee\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/vat_committee/Consultations_VAT_Committee_en.pdf)

#### *Guidelines issued by the VAT Committee*

A selection of the Guidelines adopted by the VAT Committee is made available. This selection only shows unanimously adopted guidelines which are not subject to any legislative discussion.

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/vat/key\\_documents/vat\\_committee/guidelines\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/vat/key_documents/vat_committee/guidelines_en.pdf)

#### *Compliance Risk Management Guide for tax administrators*

The guide provides background information, best practices and a framework for the implementation of modern compliance risk management principles for tax administrators.

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/publications/infodocs/taxation/risk\\_managt\\_guide\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/publications/infodocs/taxation/risk_managt_guide_en.pdf)

### **12.5 Studies made for the Commission**

The project 'Effective tax rates in an enlarged European Union' is based on the methodology used for the calculation of effective tax rates (ETRs) as set out by Devereux and Griffith (1999, 2003). It extends the scope of the calculation of ETRs conducted under the study on effective levels of company taxation within an enlarged EU (2008). The project includes a focus on the effects of tax reforms in the EU27 for the period 1998-2009 and their impact on the level of taxation for both domestic and cross-border investment and it was carried by Center for European Economic Research.

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/publications/studies/etr\\_company\\_tax.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/etr_company_tax.pdf)

The 'Report on removing tax obstacles to cross-border venture capital investment' outlines the double taxation problems that arise when venture capital is invested cross-border, as well as possible solutions. It sets out the findings and recommendations of an independent group of EU tax experts, which was set up by the Commission to look at how to remove the main tax barriers to cross-border investment in venture capital.

[http://ec.europa.eu/taxation\\_customs/resources/documents/taxation/company\\_tax/initiatives\\_small\\_business/venture\\_capital/tax\\_obstacles\\_venture\\_capital\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/taxation/company_tax/initiatives_small_business/venture_capital/tax_obstacles_venture_capital_en.pdf)

The study analysing possible changes in the minimum rates and structures of excise duties on alcoholic beverages was carried out by London Economics. The overarching objective of the study carried out by London Economics is to examine whether the current structures of alcohol taxation and the minimum rates laid down for the various categories are adequately supporting the effective functioning of the internal market, or whether distortions are caused and adaptations would be appropriate.



[http://ec.europa.eu/taxation\\_customs/resources/documents/common/publications/studies/min\\_rates.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/min_rates.pdf)

- The Commission published a reference document for the consultation on possible approaches to tackling cross-border inheritance tax obstacles within the EU, based on a study carried out by Copenhagen Economics.

The objective of this external study is to provide more information about the extent of cross-border inheritance tax problems.

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/consultations/tax/2010/08/inheritance\\_taxes\\_report\\_2010\\_08\\_26\\_en.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/consultations/tax/2010/08/inheritance_taxes_report_2010_08_26_en.pdf)

The study, 'Tax treatment of ETS allowances. Options for improving transparency and efficiency', carried out by Copenhagen Economics, examines current national practices with respect to emissions allowances in the EU and the countries with similar cap-and-trade systems. It analyses potential distortions resulting from national practices and identifies the best solutions. It deals with issues such as the tax treatment of allowances allocated for free, that of allowances originated as Clean Development Mechanism or Joint Implementation, and the tax treatment of penalties for non-compliance. It also examines the feasibility of various policy solutions at EU level.

[http://ec.europa.eu/taxation\\_customs/resources/documents/common/publications/studies/ets-report.pdf](http://ec.europa.eu/taxation_customs/resources/documents/common/publications/studies/ets-report.pdf)

### **12.6 Speeches.**

Speeches of the EU Commissioner responsible for taxation:

[http://ec.europa.eu/commission\\_2010-2014/semeta/headlines/speeches/index\\_en.htm](http://ec.europa.eu/commission_2010-2014/semeta/headlines/speeches/index_en.htm)



### **13. CONFERENCES, SEMINARS AND E-LEARNING COURSES ON TAX ISSUES ORGANISED BY THE EUROPEAN COMMISSION**

- *On 1-2 March 2010, the fourth Brussels Tax Forum took place in Brussels around the topic "Tax policies for a post-crisis world". The conference focused on the lessons to be learned from the crisis for tax policy, how to reform in the current context, and which reforms to implement. It addressed the need for good governance, more transparency and effective exchange of information in the field of taxation. The Brussels Tax Forum is an annual conference that brings together policy makers, experts, stakeholders and the general public from all over the world to discuss tax issues of particular political and general interest. The Brussels Tax Forum was hosted in Brussels by Algirdas Šemeta, the EU Commissioner responsible for Taxation and Customs Union.*

*The minutes, presentations and speeches of the Forum are available at this web link:*

[http://ec.europa.eu/taxation\\_customs/taxation/gen\\_info/tax\\_conferences/tax\\_forum/article\\_6720\\_en.htm](http://ec.europa.eu/taxation_customs/taxation/gen_info/tax_conferences/tax_forum/article_6720_en.htm)

- Fiscalis 2013 Seminars. The Fiscalis 2013 programme aims at stimulating cooperation between tax authorities in order to build on a more effective fight against fraud, to enhance a common understanding of Community legislation and to develop jointly good administration procedures and best practices. The Programme's budget finances a variety of activities amongst which seminars constitute a good framework for the exchange of ideas on particular topics between officials of the national administrations, Commission representatives and other experts, if necessary. Suggestions may emerge for improving the legal instruments in force or facilitating co-operation between administrations.
  - Seminars on the following subject took place under Fiscalis in 2010
    - Heads of central liaison office
    - Euro-denaturants for the purposes of the exemption of alcohol from excise duties
    - VAT- Mini One Stop Shop
    - Mutual recovery assistance
    - Invoicing rules
    - Better understanding and applying the new recovery assistance directive
    - Practical Aspects of EU Savings Directive
    - Administrative Cooperation in the field of Direct Taxation
    - First practical experiences with EMCS



- Fiscal marks and forestalling measures
  - Transfer Pricing seminar: An introduction to Cost Contributions Arrangements
  - Interpretation and implementation by MS' tax courts of ECJ case law
- Under the Fiscalis 2013 Programme eLearning courses has been developed by the European Commission to help tax officials in EU countries and others to get a good basic knowledge on topics of common interest. The training has been prepared by the Commission's Taxation and Customs Union Directorate General in close collaboration with expert taxation officials. Such courses support the implementation of EU legislation and ensure the dissemination of good customs and taxation practices throughout the European Union. The courses are used in numerous administrations and businesses. This approach to training allows consistent coverage of topics of common interest, provides value for taxpayers' money and is an example of trade facilitation in.

Some of these courses are freely available for download under following link:

[http://ec.europa.eu/taxation\\_customs/common/elearning/index\\_en.htm](http://ec.europa.eu/taxation_customs/common/elearning/index_en.htm)

- European Academic Tax Thesis Award:

*The European Academic Tax Thesis Award is a joint initiative of the European Commission (Directorate General Taxation and Customs Union) and the European Association of Tax Law Professors (EATLP). It was launched for the first time in December 2006 and is meant to be awarded on a yearly basis. Up to five authors of academic theses defended in 2006 on issues of comparative, European and/or international tax law have had a chance to present their work to interested European Commission officials.*

A seminar with one of the 2009 Tax Thesis Award winners took place on 25 January 2010 in Brussels

The 2010 European Academic Tax Thesis Award was awarded on 10 June 2010.

*The three prize-winners and their respective subjects were:*

- *Werner Haslehner : "Non-discrimination of Permanent Establishments in International Tax Law" (London School of Economics)*
- *Daniela Hohenwarter: "Compensation of Losses within Groups of Companies" (Vienna University of Economics and Business)*
- *Elly van de Velde: "Tax 'arrangements' between the tax administration and the taxpayer: legal limits, legal qualification and legal consequences" (University of Antwerp)*