CFE committee meetings

Technical

01 June 2015

At the end of March, representatives from the CIOT attended the Confédération Fiscale Européenne (CFE) Fiscal Committee and Professional Affairs Committee (PAC) meetings in Brussels.

Professional Affairs Committee

There was a lively debate about the role of tax advisers. The question posed was ‘Do professional ethics translate the message of the law into professional duties?’; that is, does a tax adviser’s role extend beyond merely observing the law. The conclusion was that the adviser’s obligation was to observe the law and advise his clients accordingly. If compliance with the law gave an undesirable result, then governments should change the law. To do otherwise creates confusion and a lack of clarity.

The committee also discussed whether an obligation to report aggressive tax planning changed taxpayers’ behaviour. The UK’s experience of DOTAS, the GAAR, POTAS, accelerated payments and follower notices was of considerable interest to the other member states.

The model taxpayer charter prepared by the CFE had been condensed into a draft ‘ten commandments style’ format, which was considered to be a worthwhile step. This set out a tax authority’s obligations and a taxpayer’s responsibilities. Following a discussion, some changes to the draft were agreed.

The PAC noted the proposed EU transparency package and there was general discussion about its contents and how the CFE should respond. It was noted that the Fiscal Committee would take the lead on this topic.

Fiscal Committee

The main topic discussed in the joint FC meeting was the EU Commission's proposed corporation tax transparency package, which had just been published. In relation to the proposals for the automatic exchange of rulings and advance pricing arrangements, it was observed that national practices on the publication of rulings currently varied. It was generally thought that, subject to protections for confidentiality, the publication of rulings can be helpful. It was considered that there was no justification for overriding commercial secrets and also that resourcing would be an issue for tax authorities.

The committee was also given a presentation on corporate taxpayers' fiscal contributions. It was observed that there was a general move to greater voluntary and compulsory disclosure for corporates. Also, corporate taxes are increasingly reducing in significance; for example, corporation tax represented just 7% of UK tax revenue. That fact suggests that BEPS is focusing on an issue without much practical significance. However, rates, national insurance and VAT have increased in significance. The amount of tax paid varies between sectors. Banks and retailers normally pay much more tax than other sectors.

The Direct Tax Sub-committee continued the discussion on rulings and country by country reporting. There was also some discussion of the proposed common consolidated corporate tax base (CCCTB) relaunch and patent boxes.

In this regard, it was noted that Ireland is considering the introduction of an OECD compliant knowledge box, following the modified nexus approach. It was considered that this approach works better for bigger countries than smaller ones, especially with regard to outsourcing.

The Indirect Taxes Sub-Committee discussed recent national developments and the current work of the EU VAT Forum, which has set up sub-groups on fraud and cross-border rulings, and the VAT Expert Group, which was due to have a meeting to discuss the *Skandia* and *Welmory* cases.

There was a general discussion around the issue of costs, regarding which the CIOT noted that it had concerns that the UK system made it difficult for taxpayers to raise points of principle. In contrast to the UK position, it was noted that under the Italian and Czech rules, courts have a wide discretion to make whatever order they consider to be appropriate regarding costs.