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Global Tax Alert

Germany's Presidency of the Council of the EU publishes its program

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Executive summary

As of 1 July 2020, Germany assumes the rotating six-month Presidency of the Council of the European Union (EU) following the Croatian Presidency. Germany will hold the Presidency of the Council of the EU until 31 December 2020. On 30 June 2020, the Germany Presidency of the Council of the EU published its [Programme](#) (the program) including the focus areas for the six-month period of its Presidency.

In the tax area, the program indicates that the three main priorities of the Germany Presidency during its term will be:

1. Implementation of the Organisation for Economic Co-operation and Development (OECD) proposals on addressing the tax challenges arising from the digitalization of the economy in the EU
2. Introduction of a financial transaction tax at the European level
3. Revision of the directive on administrative cooperation in the field of taxation

Detailed discussion

Germany will hold its Presidency of the Council of the EU during a period where the EU faces fundamental directional decisions in reaction to the challenges posed by the COVID-19 pandemic. In light of this, the main objective of the Germany Presidency will be to face the challenges in a coordinated manner and to take joint actions which help Europe's recovery. Major priorities will also include important issues for the future, such as climate action, digital sovereignty and Europe's role in the world, alongside post-COVID-19 recovery.

The program is based on the following guiding principles:

- ▶ Overcoming the consequences of the coronavirus crisis for the long-term as well as economic and social recovery
- ▶ A stronger and more innovative Europe
- ▶ A fair Europe
- ▶ A sustainable Europe
- ▶ A Europe of security and common values
- ▶ A strong Europe in the world

In the tax area, the Germany Presidency set out three main priorities:

- ▶ Firstly, the implementation of the OECD proposals to address the challenges arising from the digitalization of the economy in the EU. The Germany Presidency stipulates that business activities and company structures have changed dramatically as a result of the digital transformation and the current international tax rules should be adapted in order to ensure fair taxation. According to the program, "the OECD is currently drafting reform proposals that are intended to address in an effective manner the tax challenges arising from the digital transformation and which comprise the introduction of a minimum global effective tax rate. Following the conclusion of the negotiations, the Germany Presidency will press ahead with implementing the results in the EU."

- ▶ Secondly, the Germany Presidency will actively work towards the introduction of a financial transaction tax (FTT) at the European level. Taxation of the financial sector has been under discussion since 2011 but with no unanimous support from all EU Member States. Several EU countries have previously announced their opposition to the introduction of an EU-wide FTT, while 10 countries¹ despite this opposition continued to pursue the project under the EU enhanced cooperation mechanism.² On 9 December 2019, the German Finance Minister, Olaf Scholz, presented a revised proposal for a Council Directive regarding the introduction of a common FTT to the other nine participating Member States in the enhanced cooperation procedure. The proposed FTT would be levied at a minimum standard rate of 0.2% and apply to financial transactions that mainly involve the acquisition of shares issued by listed companies located in a participating Member State with a market capitalization above €1 billion.
- ▶ Thirdly, the Germany Presidency will prioritize the revision of the directive on administrative cooperation in the field of taxation with the main aim to tackle tax evasion in an effective manner. The revision of the directive will introduce new measures on tax administrative cooperation that would bring data from online platforms into the realm of exchange of information.

Implications

The program illustrates that tax is at the top of the agenda of the Germany Presidency and will play a key role in the plans for emerging from the impacts of COVID-19. Taxpayers are recommended to further monitor the developments and assess the impact of the announced rules on their business.

Endnotes

1. Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain.
2. Enhanced cooperation is a procedure where a minimum of nine EU countries are allowed to establish advanced integration or cooperation in an area within EU structures but without the other EU countries being involved.

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