

European Commission and Tax Ruling Transparency

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News: On March 18, 2015, the European Commission (“EC”) presented a package of tax transparency measures to help combat corporate tax avoidance and harmful tax competition within the European Union (“EU”). This package includes a proposal for the requirement of sharing of tax rulings between EU members, potential for public disclosure of tax information for multinational companies, quantifying the scale of tax evasion and avoidance, and reviewing the Code of Conduct on Business Taxation.

Views: The most significant information coming from the EC transparency measures is the legislative proposal to improve cooperation between EU member countries and provide for the required sharing of tax ruling information. The EC is proposing that countries be required to automatically exchange information on tax rulings every three months and provide a forum for requesting additional information on the rulings.

For taxpayers that have favorable tax rulings in EU jurisdictions this new proposal from the EC will place increased pressure on tax planning structures and increase risk in the other EU jurisdictions. The EC, in its press release, states that “[t]he automatic exchange of information on tax rulings will enable Member States to detect certain abusive tax practices by companies and take the necessary action in response.” The OECD has applauded the efforts of the EC and believes the package is fully consistent with the actions being taken in connection with the Base Erosion and Profit Shifting initiatives.

The EC plans on submitting the legislative proposal to the European Parliament and Council with the timing that countries agree on the tax rulings proposal by the end of 2015 and begin enforcing for the year beginning January 1, 2016. While that timing may not hold, taxpayers should be taking an inventory of their tax rulings within the EU and assessing the risk of these rulings, should information be shared with other jurisdictions.

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