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TAXUD.D.1.002/AK

PLATFORM FOR TAX GOOD GOVERNANCE

20 March 2025, 14H30 – 17H30,

ALBERT BORSCHETTE conference centre, room 0D

Minutes

1. Welcome and introduction

The meeting was chaired by Mr. Benjamin Angel, Director for Direct Taxation, Tax Coordination, Economic Analysis and Evaluation, at the EU Commission Directorate General Taxation and Customs Union (DG TAXUD).

The agenda was adopted without discussion and included:

- Simplification of the EU tax architecture and legislation;
- Negotiations of the Framework Convention on International Tax Cooperation;
- Ongoing implementation of Pillar 2.

2. Simplification of the EU tax architecture and legislation

The Platform continued discussions on how to simplify the EU tax acquis in order to reduce administrative burden. Representatives from two Member States made a joint presentation on the priorities for this workstream from the perspective of tax administrations. In their views, the exercise of simplification is not about deregulation, but a better regulation by reducing complexity and fragmentation. It should be ambitious and pragmatic, without undermining the integrity and overall level of protection against harmful tax competition and avoidance. The speakers proposed a bottom-up approach, allowing adequate time for broad engagement not only from Member States but also

businesses and other stakeholders. These technical consultations should feed into the road map guiding further actions, which is outlined in the dedicated Council Conclusions adopted under the Polish Presidency. On substance, they argued that priority should be given to: (i) streamlining reporting requirements and anti-abuse clauses; (ii) identifying and abolishing overlapping standards; (iii) more clarity on existing provisions through interpretative guidance; (iv) increased coordination of procedures (e.g. by building on the recent FASTER Directive as an example), and (v) evaluation of prospective legislative proposals.

Similarly, OXFAM¹ noted that simplification should be linked to the clarification and harmonisation of existing measures as well as increased coordination among tax administrations. They urged for an impact assessment to weigh the costs and benefits of this exercise, and cautioned against deregulation, which could weaken measures against tax avoidance. OXFAM noted the role taxation plays in addressing inequality and wealth concentration, stressing that simplification should not lead to lower taxation. Suggestions include introducing a centralised reporting system for companies, increased transparency on the use of exchange of information data, and a clear definition of aggressive tax planning. They also advocated for simplifying rules for allocating profits under transfer pricing system, reducing the use of tax incentives, and aligning Country-by-Country Reporting (CbCR) standards with the Global Reporting Initiative.

Other Platform members intervened along the same lines as the first speakers. TJN² echoed many points raised by OXFAM, particularly regarding harmonisation of the CbCR. In addition, TJN raised the matter of simplification vis-à-vis third countries, arguing for streamlining of related procedures to obtain financial information and development of single access points, including on high value assets. Different speakers commented on the possible way forward. Representatives from academia questioned about avenues for simplification of existing Directives and identification of potential areas of overlap. In particular on the Global Minimum Tax, one speaker asked if the Pillar Two Directive could be streamlined independently from the OECD guidance. They also argued for more ambition by re-considering the choices of legal instruments at the EU level that would be conducive to more harmonisation (e.g. regulations). Another speaker stressed the relevance of data to inform policy choices and drew attention to the ongoing research on the recent forms of tax competition as well as on the interaction between the anti-tax avoidance Directive and Pillar Two. According to another academia representative, the simplification exercise should not only focus on existing provisions and national procedures but also have a forward-looking perspective. In this regard, they recommended that new proposals, such as BEFIT, are streamlined to avoid additional complexity from the outset. A representative from a professional association stressed the importance of involving relevant stakeholders and take into consideration their varied needs, particularly those of SMEs. Other speakers from a professional association suggested considering the usefulness of corporate compliance programmes, possibly at the EU level, to increase efficiency or explore new technologies like AI to automatise reporting.

Speakers from the business organisations reiterated their concerns regarding the competitiveness of the EU, which have been exacerbated in light of the recent geopolitical tensions. Their priority is that simplification effectively reduces compliance costs for

¹ Following their request, interventions by representatives of OXFAM are explicitly attributed to the organisation.

² Following their request, interventions by representatives of the Tax Justice Network (TJN) are explicitly attributed to the organisation.

taxpayers and administrations, making existing rules more manageable without leading to new areas of complexity. TJN and several other speakers also touched upon the use of tax incentives. While acknowledging that their overabundance can lead to increasingly complex tax systems, representatives from business organisations also noted their relevance in stimulating competitiveness. This concerns, for example, R&D credits. Any simplification of tax incentives should thus be balanced against their role in attracting investment and factor in the international dimension and the measures being taken by countries outside the EU. Questions were raised on the intentions from the Commission regarding this workstream as well as further harmonisation of reporting on tax expenditures.

In reply, the Chair clarified that the Commission is currently engaging with various stakeholders on this matter to gather technical input. Main discussions are ongoing with Member States either bilaterally or through the Tax Administration EU Summit (TADEUS). Consultations are also ongoing with tax directors from multinational enterprises. All stakeholders are invited to provide their feedback, including through the Platform. The deliverables include an omnibus Directive in Q1 2026 and a new amendment to the Directive of Administrative Cooperation following the ongoing evaluation. The Chair recalled that direct tax policy is subject to the unanimity requirement, with Directives being the only legal instrument of choice. Besides the workstream at the EU level, the Chair also encouraged Member States to conduct a similar exercise domestically, focusing on national rules. The Chair also informed about other ongoing work, which includes the preparation of a recommendation on tax incentives within the framework of the Clean Industrial Deal and an assessment of the tax policy gap. Consideration is also given to how further develop ongoing pilot programmes like the EU Cooperative Compliance framework, commonly called ETACA (European Trust and Cooperation Approach) or take profit of new technologies, following example of projects like Real-Time Economy pioneered by the Nordic countries.

3. Negotiations of the Framework Convention on International Tax Cooperation

An invited expert in international tax law, Professor Philip Baker, offered his insights on the evolution of the process so far and a prognosis for the future. After a brief overview of the background to the negotiations, Professor Baker zoomed into the organisational session of the intergovernmental negotiating committee (INC) for the Framework Convention and its early protocols. Among the main outcomes is the agreement on the decision-making rules and the selection of tax dispute prevention and resolution as the topic for the Second Early Protocol (the First Early Protocol will focus on taxation of cross-border services). However, not all issues relating to the modalities of the INC work were discussed as planned, largely due to lack of time and poor administration of the organisational session. Going forward, Professor expects lengthy discussions in the next three years, ending in late 2027 with a series of votes. It is still unclear what is intended to achieve under each Early Protocol; nor whether there will be future protocols as provided by the Terms of Reference. In Professor Baker's views, the non-selected topics like measures against tax-related illicit financial flows and tax evasion and avoidance by high-net worth individuals present opportunities for further international cooperation. Regarding the EU participation, he noted that the abstentions on the various resolutions were presumably a signal of willingness to continue participating in the process (unlike other delegations who have disengaged entirely) but this was received as a mixed message. Overall, the process is marked by a lack of trust between the two main

negotiating blocks (simply put the Global South vs the Global North). To conclude, Professor Baker encouraged EU Member States to continue participating in other UN activities, like the work of the Committee of Tax Experts. He noted that the developments at the UN have broader ramifications and could affect how the OECD (and the BEPS Inclusive Framework) exercise their leadership in tax matters. Potential conflict between the two organisations may place greater emphasis on regional developments, including through the EU, for a period of time.

A representative of a Member State who is part of the Bureau of the Intergovernmental Negotiating Committee confirmed the perception that the organisational session of the INC lacked efficient handling. They informed that the outstanding questions on the modalities of work (i.e. guidelines for intersessional work and the roadmap for the negotiations) were subsequently delegated to the Bureau for discussion and gave a brief overview of the main elements under consideration. Much work lies ahead, particularly on the complex issues covered by the early protocols. Most technical work will be done virtually during the intersessional period, but formal decision will be taken in physical INC plenary sessions. The representative outlined the importance of outreach and communication, noting that a level of confusion is added by the way the regional groups are structured, not necessarily corresponding to regional proximity.

In turn, Eurodad shared their experience from the negotiations of the Nagoya Protocol on Access and Benefit-sharing, which were equally demanding but where an agreement was ultimately reached. The speaker noted that although delegations like the US have left the negotiating table, it does not mean that there will not be interest from businesses to implement the final outcome if it brings them benefits. Eurodad reiterated the added value of the UN process in bringing greater inclusivity in international tax standard-setting. The Framework Convention can bring increased coherence and certainty at the global level, strengthen the links with sustainable development goals (SDG)s and reduce the ‘race to the bottom’.

4. Ongoing implementation of Pillar 2

This session delved into the key aspects of the ongoing implementation of Pillar Two. The Commission informed about the political agreement on the ninth iteration of the Directive on Administrative Cooperation (DAC 9), reached at the ECOFIN Council on 11 March. DAC 9 represents a significant milestone in the ongoing implementation of the Pillar Two Directive and complements it by streamlining filing obligations for multinational enterprise groups (MNEs) that are within its scope. The unanimous agreement of Member States demonstrates the clear commitment of the European Union to Pillar Two. The Commission briefly presented the main elements of DAC9 and how it contributes to reducing reporting obligations and the burden on EU businesses. Most notably, by introducing a centralised framework for the exchange of the information contained in the top-up tax information return, DAC9 enables MNEs to switch from multiple local filings to one single central filing. DAC9 also incorporates into EU law the standard reporting template developed by the OECD (GloBE Information Return), thereby ensuring its consistent implementation by Member States. The next steps include implementation of the Directive by Member States into national legislation by 31 December 2025. MNEs must file their first top-up tax information return by 30 June 2026, as required under the Pillar Two Directive. The relevant tax authorities must exchange this information with each other by 31 December 2026 at the latest.

Following the presentation from the Commission, representatives from business and professional associations outlined their proposals for the development of permanent safe

harbours (PSH) under Pillar Two, which are also currently discussed at the OECD. A speaker from a business association focused on a targeted compliance with Pillar Two rules by addressing actual low tax situations. To this end, the speaker suggested to develop a simplified PSH based on a "gateway approach". This would leverage existing data in consolidated financial accounts, with a few adjustments. To ensure integrity of the minimum tax rules, the speaker noted the openness of businesses to discuss certain 'guarantees' to reassure tax administrations (e.g. excluding the deferred tax liability subject to the recapture rule from the simplified approach).

Similarly, a representative from a professional association argued that, in the interest of reducing compliance costs, the design of the PSH should start from the available and most meaningful global minimum tax data. In their view, the PSH should apply to both the global minimum tax rules and the qualified domestic minimum top-up tax. The suggestion would be to further elaborate the Transitional (CbCR) safe harbour to make it more robust, maintaining the three currently applicable tests provided by it but adjusted per the applicable amendments: simplified effective tax rate (ETR) test; de minimis test; and the routine profit test. The speaker provided further details, particularly on the design of the simplified ETR test.

Other Platform members supported this discussion, particularly in the current international context. A business representative stressed the urgency of simplifying Pillar Two and providing the necessary tax certainty. A speaker from professional associations cautioned against overcomplicating the design of the PSH and recommended to follow the transitional safe harbours. In turn, a speaker from academia suggested that this exercise should be done together with the relaunch of the BEFIT, to ensure that new rules do not lead to additional complexity. A Member State representative also supported the discussion, welcoming the technical input provided by business.

5. Next steps

Topic	Description	Responsible	Due date
topics for future discussions	The Chair encouraged members to make suggestions via a dedicated survey	members	

The next meeting will be held in Brussels on 1 July 2025

(morning only, according to the vote of the Platform members present at this March meeting).