

Spotlight on International Taxes and EUHR Sub-Committees

General Features

01 January 2019

As you might expect from the press coverage and public debate in recent years around large multinational groups, particularly those involved in the digital space, but not exclusively, and whether or not they are paying a 'fair' amount of tax, the International Taxes Sub-Committee of the CIOT has been busy.

The remit of the International Tax sub-committee includes UK direct taxes, and in particular UK corporation tax, as they apply in respect of companies resident in the UK which have either subsidiaries, permanent establishments or other operations outside the UK; or subsidiaries or permanent establishments in the UK of companies resident outside of the UK. Our work includes controlled foreign company rules, cross border transactions and structures, double tax treaties and transfer pricing. We also cover OECD developments including, of course, the base erosion and profit shifting (BEPS) project which began in 2013 as a joint initiative of the G20 and OECD.

The CIOT has been involved from the beginning of the BEPS project and our work has included engaging with the OECD, the EU as well as the UK government to consider the various proposals resulting from the 15 Action Points identified in the G20/OECD BEPS Action Plan.

The CIOT is supportive of the BEPS project as BEPS undermines trust in the tax system as a whole. However, we have also always been and continue to be committed to the existing principles of the international tax framework and, in particular, the principle that a multinational group's profits should be taxed in the countries in which it undertakes its value-generating activities. It is challenging and interesting work to find a balance between governments' understandable desires to address the perceived imbalances (particularly as a result of the increasing and pervasive nature of digitalisation across the majority of businesses which presents unique and new challenges for tax policy makers) and to raise revenue and the principles of the current international tax framework.

Most recently, as discussed below, we have been engaging with the government on the new rules announced at the Budget to tax income from intangible property held in low-tax jurisdictions to the extent that it is referable to UK sales – offshore receipts in respect of intangible property. We will continue to engage with the government to seek to ensure that the legislation is amended so that it does translate policy intentions into law accurately and effectively, without unintended consequences.

We will also be looking closely at the proposals for a UK digital services tax announced at the Budget and currently under consultation.

The EUHR Sub-Committee's remit is all aspects of EU law in so far as it affects taxpayers in the UK (as taxpayers), and human rights laws in so far as they are applicable in respect of taxation. In recent years this has also included work in relation to BEPS as the EU Commission has introduced various measures as a result of the BEPS project, including, for example, the Anti-Avoidance Directive (ATAD) and the mandatory disclosure rules which are to be introduced into the UK as a result of the proposals to amend the Directive 2011/16/EU on

administrative cooperation in the field of taxation by imposing mandatory disclosure rules on intermediaries who assist in tax aggressive arrangements, known as DAC6. These proposals are inspired by BEPS Action 12.

And, of course, the Sub-Committee has also been involved in the CIOT's work in relation to Brexit, supporting the Indirect Tax Sub-Committee which has been leading as the most pressing work has focussed on VAT and customs and excise duties.

The EUHR Sub-Committee also provides the main link between the CIOT and the CFE's Fiscal Tax Committee.

Further information about the Sub-Committees can be found on the [CIOT website](#).