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OUTCOME OF PROCEEDINGS

From: General Secretariat of the Council
To: Delegations
Subject: ECOFIN report on tax issues

Delegations will find attached the ECOFIN report on tax issues, approved by the Council (ECOFIN) at its 4106th meeting in Luxembourg on 20 June 2025.

ECOFIN REPORT ON TAX ISSUES**A. INTRODUCTION**

1. This Council report provides an overview of the progress achieved in the Council under the Polish Presidency, as well as an overview of the state of play of the most important dossiers currently under negotiation in the area of taxation. The report has been drawn up on the basis of discussions in the Working Party on Tax Questions (High Level) (HLWP) covering horizontal tax policy issues of strategic relevance, in line with its mandate.
2. The Polish Presidency continued the work on key files, including the proposals in the “VAT in the Digital Age” package, the amendment of the Directive on administrative cooperation in the field of taxation (DAC 9), the revision of the Energy Taxation Directive, the proposal on transfer pricing, the update to the EU list of non-cooperative jurisdictions for tax purposes, the proposal to prevent the misuse of shell entities for tax purposes and negotiations on EU tax agreements with some third countries. It also continued the work with regard to the negotiations on tax cooperation in the United Nations based on discussions between Member States in the EU.
3. More specifically, the Council:
 - a) adopted the VAT in the digital age package;
 - b) adopted the proposals on the electronic VAT exemption certificate;
 - c) reached a general approach on the Directive on VAT rules for distance sales of imported goods and on import VAT as regards the incentivisation of the IOSS;
 - d) adopted the Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC9);

- e) approved Council conclusions on a tax decluttering and simplification agenda which contributes to the EU's competitiveness;
 - f) made progress on the revision of the Energy Taxation Directive;
 - g) continued discussions on the proposal for a Council Directive on transfer pricing, as well as discussions on the possible establishment of a transfer pricing platform;
 - h) continued to discuss the proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes; and
 - i) took note of information from the Commission services on the negotiations on amending the EU Agreements with Andorra, Liechtenstein, Monaco, San Marino and Switzerland.
4. The Code of Conduct Group (Business Taxation) also further continued its work on the various matters falling within its current remit, including the EU list of non-cooperative jurisdictions for tax purposes, as set out in its six-monthly report¹. The EU list was most recently updated by the Council on 18 February 2025².
5. More detailed information on specific topics and dossiers can be found below.

B. LEGISLATIVE ACTIVITIES

1) Direct Taxation

a) Misuse of shell entities

6. On 22 December 2021, the Commission submitted a proposal for a Council Directive laying down rules to prevent the misuse of shell entities for tax purposes and amending Directive 2011/16/EU (the “Unshell” proposal)³.

¹ Doc. ST 9651/25 + ADD 1-10.

² OJ C, C/2025/1473, 28.2.2025.

³ Doc. ST 15296/21.

7. The objective of the proposal is to prevent tax avoidance and evasion through actions by entities without substance, and to enhance the proper functioning of the internal market. The proposal aims to fight against the misuse of shell entities for improper tax purposes and to ensure that shell companies in the EU that have no or minimal economic activity are unable to benefit from tax advantages.
8. Technical analysis of the proposal started in the first semester of 2022, with delegations holding discussions based on the compromise texts and background notes prepared by the consecutive Presidencies. Some of the most discussed issues include tax consequences, links with domestic anti-abuse legislation, excluded entities, minimum substance, rebuttal of the presumption and reduction of administrative burden, tax residency certificates and the exchange of information. The HLWP has provided guidance for further work on outstanding issues. In principle, most delegations supported the objectives of the proposal, but were of the view that in order to reach an agreement, substantial further technical work would be necessary.
9. In June 2024, a new approach on the proposal was presented to delegations. In November 2024 this approach was turned into concrete drafting suggestions on some key topics, in particular the scope, hallmarks, reporting obligation and the exchange of information, as well as administrative actions. These drafting suggestions, the practical implications of the new approach in general and the areas that would need further attention were discussed at the WPTQ meeting in November 2024. Some delegations considered it important to clarify the relationship with the Directive on administrative cooperation (DAC). It was stressed that possible next steps on this file should be taken in such a way that it would not lead to excessive administrative burden for businesses and tax authorities.

10. Under the Polish Presidency, the Council approved conclusions setting a tax decluttering and simplification agenda with a view to contributing to the EU's competitiveness (see Chapter C, section (1) below). These conclusions contain tax decluttering principles that should also be respected when negotiating the proposals currently on the table. At the HLWP on 29 April 2025, the Unshell proposal was mentioned as a file that could be analysed from the perspective of the tax decluttering principles.
11. On 27 May 2025, the WPTQ held an exchange of views on the file. It was pointed out that potential overlaps can be recognized between the hallmarks in the latest Unshell compromise text and those of DAC 6, which could bear the risk that under a possible future Unshell Directive similar information would be reported twice, and probably through separate IT systems. Furthermore, the objectives of DAC 6, such as strengthening tax transparency and the fight against aggressive tax planning, converge with the goals of the Unshell proposal. Many delegations were of the view that the aims of the Unshell proposal could be achieved with clarifications or amendments of hallmarks in DAC 6. In line with the decluttering and simplification agenda delegations also highlighted that any future solutions should not create undue administrative burden. These could be scrutinised once the Commission has finalised its analyses and submitted a possible new legislative proposal on DAC. As a consequence, it emerged that the analysis of the Unshell proposal should not be continued in the Council. Such an approach would be in line with the concept of tax simplification and decluttering and avoid additional administrative and compliance burden for Member States' administrations and taxpayers, as well as disproportionate implementing costs and multiple reporting. This approach was broadly welcomed by delegations.

b) Transfer Pricing Directive

12. On 12 September 2023 the Commission tabled the proposal for a Council Directive on transfer pricing,⁴ which essentially aims to integrate into EU law key transfer pricing principles and rules, which are agreed in the framework of the OECD.

⁴ Doc. ST 12954/23 + ADD 1.

13. Following the first general discussion on this legislative proposal under the Spanish Presidency, the Belgian Presidency launched an in-depth analysis of the Commission proposal at WPTQ level. During the Hungarian Presidency discussions at the WPTQ level continued to show that this legislative proposal was not gathering sufficient support from the Member States. A large majority of Member States saw no possibility of making further progress on the basis of the Commission proposal in its current form. Only a few Member States held the view that technical discussions could continue, to determine whether there were any procedural aspects related to transfer pricing rules that could possibly be harmonized by a Council Directive.
14. The Polish Presidency sought the views of Member States at WPTQ level on whether there was any change in their position with regard to the proposal for a Council Directive. The discussions showed that Member States have numerous concerns, including fundamental concerns of principle regarding this legislative proposal and that the prospect of reaching an agreement is unlikely. While a few Member States consider that some procedural aspects related to transfer pricing could possibly be regulated in a Directive, achieving a compromise on this basis does not seem feasible. Nevertheless, Member States fully support the general objective of reducing complexity, costs and administrative burden for both taxpayers and tax authorities in the area of transfer pricing.
15. In parallel with the discussions on the proposal for a Council Directive and subject to the provisions of Article 296(3) TFEU, the Polish Presidency continued technical discussions on the possibility to set up a transfer pricing platform outside the framework of a Council Directive. These discussions built on the fact that Member States expressed interest in and support for a different working method between Member States, which would maintain rules on transfer pricing within their competence and would make it possible to propose, design and determine consensus-based non-legally binding solutions, in line with the OECD framework, to practical issues in the area of transfer pricing, with the aim of reducing the complexity, costs and administrative burden for both taxpayers and tax authorities.

16. Despite general support for the idea of establishing a transfer pricing platform, Member States have expressed divergent views as regards fundamental parameters of the platform, such as its mandate and structure, the form of the results and endorsement of its work (outcomes), and the possibility of political commitment to implement these and the review or monitoring thereof. Some Member States supported the establishment of the platform with a broad mandate, political commitment and review or monitoring mechanism, which were all crucial for the Commission to ensure the effectiveness of the platform, but no agreement was reached on that matter.
17. Nevertheless, it is noted that Member States are positively predisposed to the idea that the Commission could establish a transfer pricing platform, that operates on the basis of consensus between Member States and which looks into practical issues in the area of transfer pricing, with the objective of maintaining rules on transfer pricing within the competence of Member States and which designs and proposes consensus-based non-legally binding solutions, in line with the OECD framework, with the aim of reducing the complexity, costs and administrative burden for both taxpayers and tax authorities.

c) BEFIT Directive

18. On 12 September 2023, the Commission tabled a proposal for a Council Directive on Business in Europe: Framework for Income Taxation (BEFIT),⁵ the core objective of which is to develop a common corporate tax framework for large multinationals in the EU. Once BEFIT was proposed, the Commission withdrew its proposals on the Common (Consolidated) Corporate Tax Base (CCTB/CCCTB), which had been on the table of the Council since 2016 and were put on hold due to the global negotiations that started in parallel on the Two-Pillar solution (under the G20/OECD inclusive Framework on BEPS).

⁵ Doc. ST 12965/23 + ADD 1-3.

19. The preparatory work that has taken place so far was summarised in the previous Council reports on tax issues.⁶ Under the Polish Presidency, with the objective of making further progress in the area of tax policy and legislation, it was decided to focus on a number of other priorities, as referred to in the introductory part of this report.⁷
20. The previous Council report on tax issues noted that “*some Member States would welcome a political discussion on BEFIT, however, it is considered that further reflection and technical work will be necessary in advance to determine the next steps in these negotiations during the forthcoming Presidency term. In this regard, several Member States also suggested the possibility of giving priority to discussions on certain specific parts of the proposal, as a way forward. Technical analysis of the Commission proposal could therefore be continued with the objective of preparing a discussion on the policy choices.*”⁸

2) **Indirect Taxation**

a) VAT in the digital age

21. On 8 December 2022, the Commission issued its package “VAT rules for the digital age”, containing three proposals:
- a proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules for the digital age⁹;
 - a proposal for a Council Regulation amending Regulation (EU) No 904/2010 as regards the VAT administrative cooperation arrangements needed for the digital age¹⁰; and
 - a proposal for a Council Implementing Regulation amending Implementing Regulation (EU) No 282/2011 as regards information requirements for certain VAT schemes¹¹.

⁶ Doc. ST 11287/24, points 34 to 38, and doc. ST 16673/24, points 27 to 30.

⁷ Point 3 of this report.

⁸ Doc. ST 16673/24, point 30.

⁹ Doc. ST 15841/22.

¹⁰ Doc. ST 15842/22.

¹¹ Doc. ST 15843/22.

22. The package has three objectives. Firstly, it sets out to modernise the VAT reporting obligations by introducing digital reporting requirements based on electronic invoicing. Secondly, it intends to address the challenges of the platform economy by updating the applicable VAT rules. And thirdly, it seeks to address administrative burden by moving towards a single VAT registration.
23. On 5 November 2024, the Council (ECOFIN) reached an agreement on this compromise, consisting of a general approach on the amending Directive, a political agreement on the amending Regulation, and a political agreement on the amending Implementing Regulation. The Council also decided to reconsult the European Parliament on the Directive. The European Parliament issued a new opinion on 18 February.
24. On 11 March 2025, the Council formally adopted the package¹². The relevant legal acts were published in the Official Journal on 25 March 2025¹³.
- b) VAT rules for distance sales of imported goods and on import VAT
25. On 17 May 2023, the Commission issued a package of proposals as part of a broad and comprehensive reform of the Customs Union, accompanied by a communication entitled: “Customs reform: Taking the Customs Union to the next level”¹⁴. This package also included a proposal on value added tax, namely a proposal for a Council Directive amending Directive 2006/112/EC as regards VAT rules relating to taxable persons who facilitate distance sales of imported goods and the application of the special scheme for distance sales of goods imported from third territories or third countries and special arrangements for declaration and payment of import VAT (the ‘Directive on distance sales of imported goods and import VAT’)¹⁵.

¹² Doc. ST 6304/25.

¹³ OJ L, 2025/516, 25.3.2025, ELI: <http://data.europa.eu/eli/dir/2025/516/oj>; OJ L, 2025/517, 25.3.2025, ELI: <http://data.europa.eu/eli/reg/2025/517/oj>; OJ L, 2025/518, 25.3.2025, ELI: http://data.europa.eu/eli/reg_impl/2025/518/oj.

¹⁴ Doc. ST 9622/23.

¹⁵ Doc. ST 9638/23.

26. One of the aims of the customs reform is to address the drastic increase in trade volumes, largely driven by the extraordinary growth of e-commerce which generates an exponential number of small packages of low-value goods. Cases of undervaluation and deliberate splitting of consignments to keep their value under EUR 150 to avoid customs duties add to the difficulties. The reform proposals therefore seek to remove the customs exemption for goods worth up to a threshold of EUR 150 and to introduce a new tariff system for low-value consignments with four buckets.
27. Currently, this EUR 150 threshold also exists for the application of the deemed supplier provision in the VAT Directive, as well as for the use of the VAT import one-stop shop (IOSS): its application is limited to distance sales of imported goods not exceeding EUR 150. The VAT proposal in the package aims to remove this threshold also for the purposes of the IOSS, to align the customs and VAT rules regarding e-commerce.
28. Furthermore, because there was no support for a mandatory use of the IOSS within the VAT in the Digital Age package negotiations, an alternative solution was developed under the Spanish and the Belgian Presidency to incentivise the use of the IOSS, in particular by making the supplier or deemed supplier liable for VAT on importation in the Member States of final destination of the goods (implying that (deemed) suppliers would have to register separately in every Member State where they do business if they do not use the IOSS).
29. Because of the close links between this incentivisation solution and the Union Customs Code reform, it was decided to discuss the relevant provisions in the context of the VAT proposal in the customs reform. In the course of four WPTQ meetings, the Hungarian Presidency further refined the solution, including measures to further secure the payment of VAT on importation and a fall-back measure that would enable Member States in specific cases to allow the customer to pay the import VAT, and discussed the removal of the EUR 150 threshold for the IOSS.

30. During the negotiations, a suggestion was made to extend the definition of ‘distance sales of goods imported from third territories or third countries’ to supplies from customs warehouses, in order to level the playing field – in terms of the possibility of using the IOSS for VAT purposes – between supplies arriving in individual parcels and supplies arriving in bulk to customs warehouses to be sold onwards to consumers. In view of the possible benefits for customs control purposes, the Hungarian Presidency included this suggestion in its compromise text of the draft Directive on distance sales of imported goods and import VAT.
31. While the removal of the EUR 150 threshold and the extension to customs warehouses are very closely related to the customs reform, and will need to be discussed in light of the policy choices made in the negotiations on that legislative package, there is no such relationship between the customs reform and the measures to incentivise the IOSS. Essentially, the alternative approach only replaces the provisions from the VIDA package that would have made the IOSS mandatory. By further encouraging periodically declaring VAT instead of assessment and payment at the border, the measures to incentivise the IOSS would simplify the collection of VAT. In addition, because the measures will strongly discourage non-compliance, the Polish Presidency was of the opinion that these measures are needed and desirable purely on VAT grounds. Furthermore, adopting these measures would provide clarity on the applicable VAT framework in the negotiations on the Union Customs Code reform.
32. To that end, the Polish Presidency prepared a draft with the provisions that should be adopted separately, accompanied by a statement to be added to the Council minutes to the effect that the Council would continue to work on the remaining elements of the draft Directive. This approach was also supported by the Commission. In parallel, the Presidency also organised a policy discussion on a number of possible measures to enhance the robustness of the IOSS with a view to possibly extending its scope in the future.

33. At the meeting of the HLWP, a revised compromise text containing only the provisions on incentivisation was supported by almost all delegations. A few delegations still had reservations. To accommodate those delegations' concerns, the Presidency made a number of changes to the compromise text and the draft Council statement.
34. On 13 May 2025, the Council (ECOFIN) reached a general approach on the text on this basis¹⁶. The Council also decided to consult the European Parliament on the text with a view to its adoption, subject to a legal and linguistic revision of the text.
- c) *Electronic VAT exemption certificate*
35. On 8 July 2024, the Commission published two proposals with the aim of replacing the current paper VAT exemption certificate with an electronic VAT exemption certificate:
- i. a proposal for a Council Directive amending Directive 2006/112/EC as regards the electronic value added tax exemption certificate; and
 - ii. a proposal for a Council Implementing Regulation amending Implementing Regulation (EU) No 282/2011 as regards the electronic value added tax exemption certificate.
36. The proposal to amend the VAT Directive creates the legal conditions for the development of the electronic certificate by the Commission through implementing measures, while the proposal to amend the Implementing Regulation provides for the alternative use of both paper and electronic certificates during a transition phase.
37. The Council (ECOFIN) reached a political agreement on the package on 10 December 2024, and on 18 February 2025, the Council formally adopted the package¹⁷. The legal acts were published in the Official Journal on 28 February 2025¹⁸.

¹⁶ Doc. ST 8710/25.

¹⁷ Doc. ST 5431/25.

¹⁸ OJ L, 2025/425, 28.2.2025, ELI: <http://data.europa.eu/eli/dir/2025/425/oj>; OJ L, 2025/428, 28.2.2025, ELI: http://data.europa.eu/eli/reg_impl/2025/428/oj.

d) Revision of the Energy Taxation Directive (ETD)

38. On 14 July 2021, the Commission submitted a proposal for a Council Directive restructuring the Union framework for the taxation of energy products and electricity (recast)¹⁹, ('the ETD proposal').
39. The ETD proposal is part of the "Fit for 55" package²⁰, which aims to implement the ambitious EU targets to reduce emissions by at least 55% by 2030, as compared to 1990 levels, and to achieve climate neutrality by 2050. The package consists of a set of inter-connected proposals, which all drive towards the same goal of ensuring a fair, competitive and green transition by 2030 and beyond.
40. The ETD proposal aims to achieve the following objectives:
- a) to provide an adapted framework contributing to the EU 2030 targets and climate neutrality by 2050 in the context of the European Green Deal. This would involve aligning the taxation of energy products and electricity with EU energy, environment and climate policies, thus contributing to the EU's efforts to reduce emissions;
 - b) to provide a framework that preserves and improves the EU internal market by updating the scope of energy products and the structure of rates and by rationalising the use of tax exemptions and reductions by Member States; and
 - c) to preserve the ability to generate revenues for the budgets of the Member States.

¹⁹ Doc. ST 10872/21.

²⁰ Doc. ST 10849/21.

41. On 17 June 2022, the Council (ECOFIN) took note of the Presidency progress report on the ETD proposal²¹. On 6 December 2022, the Council (ECOFIN) held a policy debate²² on the ETD proposal and gave political guidance on the way forward. In general, the Ministers supported the more flexible Presidency approach and asked to find solutions to open issues. During the policy debate held at the Council (ECOFIN) meeting on 10 December 2024²³ most delegations were of the view that the compromise reached so far on the directive as a whole represents a delicate balance between different views, bearing in mind several aspects, such as the green goals, specificities of Member States, competitiveness and internal market. Some delegations still drew attention to certain issues that required further discussion. Taking into account the political guidance, technical analysis has continued.
42. Building on the progress made by the previous presidencies, the Polish Presidency continued work on the revision of the ETD. The Presidency prepared full compromise texts on several occasions. The file was analysed in the WPTQ on 30 January, 1 April and 20 May. Information on the file was also provided to delegations at the HLWP on 12 June. On 20 June 2025, the Council (ECOFIN) took note of the Presidency progress report on the ETD file²⁴.

²¹ Doc. ST 9874/22.

²² Doc. ST 14736/22.

²³ Doc. ST 16174/24 REV 1.

²⁴ Doc. 7819/25.

3) **Administrative cooperation in the field of taxation**

a) Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation (DAC9)

43. On 28 October 2024, the Commission issued a proposal for a Council Directive amending Directive 2011/16/EU on administrative cooperation in the field of taxation ('DAC9')²⁵.
44. The key objective of this legislative proposal was to implement specific provisions of Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union²⁶. In particular, this concerns Article 44 of that Directive, which sets out an obligation for the filing entities of multinational enterprise groups and large-scale domestic groups to file the top-up tax information return (TTIR). The TTIR is to be filed using a standardised template.
45. Following preparatory work,²⁷ at its meeting on 11 March 2025, the Council (ECOFIN) reached a political agreement on the text of the draft Directive²⁸, with a view to adopting the Directive, subject to legal and linguistic review. A statement by the Council and a statement by the Commission were added to the minutes of that Council meeting.²⁹
46. The Council (Foreign Affairs) on 14 April 2025 adopted the Council Directive (EU) 2025/872 amending Directive 2011/16/EU on administrative cooperation in the field of taxation.³⁰ The legal act was published in the Official Journal on 6 May 2025³¹.

²⁵ Doc. ST 15004/24 + ADD1.

²⁶ OJ L 328, 22.12.2022, p. 1–58 ELI: <http://data.europa.eu/eli/dir/2022/2523/oj>.

²⁷ Doc. ST 6760/25 + ADD1.

²⁸ Doc. ST 6845/25.

²⁹ Doc. 7009/25, page 3, point 4 and the Annex.

³⁰ Doc. ST 6963/25, ST 8024/25.

³¹ OJ L, 2025/872, 6.5.2025, ELI: <http://data.europa.eu/eli/dir/2025/872/oj>.

b) EU Agreements with Andorra, Liechtenstein, Monaco, San Marino and Switzerland

47. Following the discussions at the HLWP initiated in 2023³², on 17 January 2024 the Commission submitted to the Council a Recommendation for a Council Decision to authorise the Commission to open negotiations on amending the five agreements on the automatic exchange of financial account information to improve international tax compliance between the European Union and, respectively, the Swiss Confederation, the Principality of Liechtenstein, the Principality of Andorra, the Principality of Monaco and the Republic of San Marino.³³
48. The aim of the envisaged negotiations on amending these five agreements is the following:
- a) to ensure that the automatic exchange of financial account information between EU Member States and the five non-EU countries under the five respective EU agreements is aligned with, and continue to take place in accordance with, the updated Common Reporting Standard (CRS) developed by the OECD from the 1 January 2026; the implementation of the updated CRS within the EU has been included in Directive 2023/2226 (DAC8);
 - b) to update the legal references to Directive 95/46/EC by references to Regulation (EU) 2016/679 (GDPR), where appropriate.

³² Doc. ST 16411/23, p. 17-18.

³³ Doc. ST 5598/24 + ADD 1.

49. On 21 May 2024 the Council adopted the Council Decision authorising the opening of negotiations on amending the Agreements concerning the automatic exchange of financial account information to improve international tax compliance between the European Union and the Swiss Confederation, the Principality of Liechtenstein, the Principality of Andorra, the Principality of Monaco and the Republic of San Marino, respectively³⁴ and agreed on the negotiating directives³⁵. It was decided to include in the negotiating directives an amendment to the Agreement with Switzerland in relation to assistance in the collection of direct and indirect taxes.
50. At the meetings of the HLWP on 26 September, 24 October 2024, 8 January, 26 February, 29 April and 12 June 2025, and the WPTQ on 31 January and 27 May 2025 the Commission reported on the progress made in negotiations on amending agreements with Switzerland, Liechtenstein, San Marino, Monaco and Andorra and subsequently presented the outcome of these negotiations, namely the draft amending protocols with a view to initialling the texts.

³⁴ Doc. ST 9543/24, ST 9245/24.

³⁵ Doc. ST 9245/24 ADD 1.

C. NON-LEGISLATIVE ACTIVITIES

1) Conclusions on a tax decluttering and simplification agenda which contributes to the EU's competitiveness

51. In its conclusions approved at its meeting on 17 and 18 April 2024³⁶, the European Council stressed the need for a ‘new European competitiveness deal, anchored in a fully integrated Single Market’, recalling the need for legal certainty and predictability, better integration, coherence, openness to innovation and digital by default, while reducing administrative burden. In the Budapest Declaration on the New European Competitiveness Deal ³⁷, the European Council stressed the need for a simplification revolution, ensuring a clear, simple and smart regulatory framework for businesses and drastically reducing administrative, regulatory and reporting burdens, in particular for SMEs’.
52. In the Council policy debate on 18 January 2025 on ‘Ensuring a globally competitive business environment in Europe - simplification, decluttering and regulatory burden reduction’, some ministers mentioned the need to simplify tax systems and the scope for decluttering the EU tax legislation.
53. Against this background, the Presidency proposed to start work on Council conclusions that would represent the Council’s views and give guidance on possible upcoming initiatives to improve the EU’s competitiveness and reduce administrative, regulatory and reporting burdens in the field of taxation. This proposal received broad support from delegations, and the Presidency concluded it would start working on conclusions based on the input received from delegations.

³⁶ Doc. EUCO 12/24.

³⁷ Budapest Declaration on the New European Competitiveness Deal,
<https://www.consilium.europa.eu/en/press/press-releases/2024/11/08/the-budapest-declaration/>

54. These conclusions were examined by the Working Party on Tax Questions on 20 February and 26 February 2025. A revised version of the conclusions was submitted to the Coreper on 4 March 2025, and the Council approved the conclusions on 11 March 2025³⁸.
55. At the meeting of the HLWP on 29 April 2025, the Polish Presidency presented the Presidency trio's approach on the follow-up to the conclusions.

2) Tobacco products

56. On 26 February 2025, the HLWP held an exchange of views on challenges related to taxation of tobacco and nicotine products. It emerged from the discussion that in the absence of EU rules on taxation of emerging alternative products and given the rapidly developing market of these products, Member States have individually introduced taxes on these products. This situation has led to significant differences in the taxation of these new products, which in turn creates administrative challenges in overseeing this area of economic activity, resulting in growing distortions of competition and inefficiencies in the functioning of the internal market. During the HLWP, almost no Member State expressed strong reservations towards a Commission initiative to cover alternative tobacco and nicotine products, while some Member States expressed the wish to preserve market competitiveness. Moreover, a vast majority of Member States openly called for action of the Commission in this area.
57. Although already in its 2020 conclusions on tobacco the Council requested the Commission to present a legislative proposal for a review of legislation related to tobacco taxation, the Commission has not tabled such a proposal and the Commission work programme for 2025 does not contain it either.

³⁸ Doc. ST 6748/25.

3) **Administrative cooperation on gambling**

58. On 8 January 2025, the HLWP held an exchange of views on enhancing administrative cooperation in the area of gambling to address challenges for the internal market arising from the digitalisation of economy. It was pointed out that the activities of offshore websites and platforms offering illegal gambling possibilities may entail a risk of tax evasion and a loss of revenue for Member States.
59. The establishment of an expert group and using administrative cooperation to exchange information on gambling, including creation of a database, were suggested as some ideas on how to mitigate the problem. It was stressed that gambling is a multi-disciplinary topic, with taxation being part of a bigger picture. Before taking action, there is a need to better understand what are the possible gaps related to taxation and to map relevant legislation. At the HLWP on 26 February 2025, the Presidency provided further information on the topic of gambling.

4) **International developments**

60. The HLWP was regularly informed of relevant key international developments in the area of tax policy.
- a) *OECD/G20 Inclusive Framework on BEPS*
61. Delegations were regularly debriefed on the ongoing work and state of play in the OECD/G20 Inclusive Framework on BEPS (IF on BEPS), as well as on the tax policy aspects covered in the meetings of the G20 Finance Ministers and Central Bank Governors.
62. At this stage, the “Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy” remains one of the key topics that are discussed in the OECD/G20 IF on BEPS. In this area, the main discussions currently cover a number of important issues relating to the global implementation of Pillar Two.

63. While broader global implementation remains a desired objective, the Pillar Two rules already form a part of the EU acquis by way of the Council Directive (EU) 2022/2523 of 15 December 2022 on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the Union.
64. Given the importance of these issues, the HLWP, at the initiative of the Polish Presidency, discussed state of play and a number of technical options for a way forward on these matters.
65. In this context, and, as mentioned in the recent statement by the OECD/G20 IF on BEPS following its 17th plenary meeting from 7 to 10 April 2025, constructive discussions will be required in furtherance of the critically important objective of securing certainty and stability in the international tax system.
66. These negotiations are also of fundamental importance given the objective of ensuring the economic competitiveness of the EU and of its Member States, as well as levelling the playing field for all multinational enterprises concerned. It is therefore expected that the necessary preparatory work will continue both at technical and political level, as appropriate.
- b) Negotiations on the United Nations Framework Convention on international tax cooperation
67. On 27 November 2024, the 79th session of the UN General Assembly adopted the resolution on the “Promotion of inclusive and effective international tax cooperation at the United Nations” to begin the formal negotiations on a Framework Convention. EU Member States abstained from the vote.

68. Negotiations at the Intergovernmental Negotiating Committee (INC) on the new Convention and two early protocols were launched in 2025, with the first substantive meetings taking place in New York from 3 to 6 February 2025. During this session, delegates agreed on procedural arrangements and launched three informal workstreams to guide the negotiations: Workstream I on the Framework Convention, workstream II on Protocol 1 concerning the taxation of income from cross-border services, and workstream III on Protocol 2 addressing dispute prevention and resolution. These workstreams aim to develop draft elements and technical input to support progress on the negotiated texts. The HLWP was debriefed on the discussions at regular intervals.

5) Code of Conduct Group (business taxation)

69. The Code of Conduct Group (COCG) met on 29 January and 30 April 2025, and subgroup meetings were held on 14 and 23 January, 27 February, and 22 May 2025.
70. The biannual revision of the EU list of non-cooperative jurisdictions for tax purposes was approved by the Council on 18 February 2025 and published in the Official Journal on 28 February 2025³⁹.
71. A more extensive report can be found in the dedicated biannual Code of Conduct Group report⁴⁰.

³⁹ OJ C, C/2025/1473, 28.2.2025.

⁴⁰ Doc. ST 9651/25 + ADD 1-7.

6) Russia's aggression against Ukraine

72. In the context of Russia's aggression against Ukraine with the participation of Belarus, the Council Working Party on Tax Questions examined a number of measures that Member States could pursue to support the implementation of EU restrictive measures (in relation to Russia and Belarus) and prevent their circumvention through tax cooperation instruments.
73. Firstly, Member States agreed on the need to discontinue all exchanges of information for tax purposes with the Russian Federation and Belarus. Secondly, EU Member States examined a number of measures aiming at enhancing the use of administrative cooperation and other instruments in the tax field in the context of the enforcement of the restrictive measures.
74. In this context, the Working Party on Tax Questions will continue to examine further developments concerning these measures, including the work taking place within the temporary platform created by the Commission on 3 June 2022 in the form of a Freeze and Seize Task Force subgroup on tax enforcement.
75. At the HLWP meeting on 12 June 2025, delegations took note of an update provided by the Commission on the work of this subgroup.

7) Tax in non-tax areas (TINTA)

76. On 19 November 2013, the HLWP agreed that tax provisions in non-tax dossiers leading to any changes in Member States' tax laws or administrative practices or having other consequences on taxation should fall under an 'informal alert mechanism'. The systematic approach of bringing these cases to the attention of tax experts, with the support of the General Secretariat, has continued to ensure that Member States are alerted in a timely manner, including on negotiations of agreements between the EU and third countries. The HLWP took note of the latest information in this regard.

8) Special reports from the European Court of Auditors

77. On 28 November 2024, the European Court of Auditors (ECA) issued special report no 27/2024 titled “Combatting harmful tax regimes and corporate tax avoidance – The EU has established a first line of defence, but there are shortcomings in the way measures are implemented and monitored”. This report examined the EU efforts to combat harmful tax regimes and corporate tax avoidance.
78. On 24 March 2025, the ECA issued special report no 08/2025 titled “Value Added Tax fraud on imports – The EU’s financial interests are insufficiently protected under simplified import customs procedures”. The report assessed whether the EU’s financial interests and the single market are protected effectively against VAT fraud on imports when simplified import customs procedures are used.
79. On 26 February and on 12 June 2025, the ECA held presentations on the respective reports in the HLWP.

9) International Tax Dispute Resolution Commission (ITDRC)

80. At the HLWP meeting on 12 June 2025, Member States were given an update on the negotiations on a Multilateral Convention on the International Tax Dispute Resolution Commission.
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