



Union of Finance Personnel in Europe meets EU Commissioner László Kovács

The UFE Presiding Board met EU Commissioner for taxes and customs union László Kovács, who was newly appointed at the end of last year, for a first exchange of opinions. Kovács was accompanied by Director Michel Aujean (FR), who is heading the Directorate General E (analyses and tax policies). From the cabinet of the Commissioner further participated Balázs Békés (HU), who is responsible, among other things, for competition policies, excise duties and corporate taxation. UFE was represented by UFE President Dieter Ondracek (GE), UFE General Secretary Rafael Zender (GE), Klaus-Hilger Leprich (GE), the Vice Presidents Christian Steenhoudt (FR), Jørn Rise Andersen (DK), Nico Goor (NL), Frank Campell (UK), the President of the Hungarian Tax Union Peter Michálko and Jean-Paul Lerch (FR).

Topics of discussion were, among other things, the one-stop-shop concept, the harmonization of the assessment basis corporate taxation, frame guidelines for tax rates of corporate taxation, the Customs program 2007 as well as forfeiting/product piracy.

At the beginning of the discussion, Commissioner Kovács expressed that it is very important for him to meet the Union of Finance Personnel in Europe. As an association of European tax and customs unions, the Union of Finance Personnel is an important contact. The colleagues, organized in UFE, are dealing with the implementation of the decisions taken in Brussels on the spot and, thus, they have a decisive influence on their success.

First Kovács explained the imbedding of the „one-stop-shop“ model in the tax policies of the community. Thus, the European Commission planned the challenging program for the coming years wherein the strategic targets are to provide the

citizens of the Union with prosperity, solidarity and safety. Revising the Lisboa strategy, a new directive was fixed as a result of which the efforts of the Union will concentrate on measures to create growth and jobs, whereas at the same time the unique European social model shall be maintained. The tax policies play a central role within this strategy. In order to create growth and jobs in the EU, one has to deal with those elements of the tax systems which are limiting the advantages of the common market. First priority of the EU tax program is to eliminate the tax barriers which contradict the perfect functioning of the internal market. Furthermore, the expenditures for enterprises with cross-border activities to fulfill legal obligations have to be reduced. Since the complexity of tax obligations is an influential obstacle for companies which are otherwise ready to open up new cross-border markets. An unhindered access to the internal market is vital to create conditions for economic growth. The „one-stop-shop concept“ is only one step to facilitate the access to the internal market.

The introduction of the „one-stop-shop“ system has the advantage that an enterprise may transfer the turnover tax to the public purses of other EU member states via the local revenue office. At the moment, e.g., a German entrepreneur, who is building a garage for a French customer in France, has to be registered there, has to hand in a French V.A.T. declaration, and has to pay the surplus amount to the French tax authorities after clearing with the input tax paid in France. The introduction of a single contact has the advantage that the German entrepreneur has only to be registered in Germany and may fulfill his V.A.T. obligations towards France via an electronic portal in Germany. Certainly, the French V.A.T. rules and V.A.T. rates will further be applied. But the declaration and payment obligations may be fulfilled from Germany which will result in a significant simplification of processes in cross-over business activities. The so-called input tax refund process, where entrepreneurs may have refunded the turnover tax paid in other member countries, will also be possible via the one-stop-shop. That way, the filing of an application with the central refund authority of the respective member state will be canceled.

Ufe President Dieter Ondracek pointed out that the finance authorities are the only state revenue administrations. As a result of personnel cuts, they must employ their personnel efficiently. Therefore, the tax and customs legislation must remain

practicable. As an expectation of use he expressed that the Commission will contribute to this.

He explained that it is the prerequisite for the acceptance of a single contact, that means the one-stop-shop system, that it works smoothly, which calls for a test in a model process.

There was agreement as to the necessity of an harmonized assessment basis for corporate taxation. Commissioner Kovács explained that a harmonized assessment basis for corporate taxation is necessary in order to create the inevitable transparency, to reduce the administrative efforts and to lower compliance costs.

He expressed very clearly, that the Commission does otherwise not intend to standardize tax rates for corporate taxation. Kovács also refused the demand, that use discussed at their meeting in Stockholm, to introduce a minimum tax rate, even if he can understand this. Commissioner Kovács mentioned factual as well as practical reasons for his refusal. Thus, the tax rate is not the primary decision-making point for the siting of enterprises. On the contrary, the size of and the access to the market, on which they want to gain a foothold; the infrastructure; the quality of labor and labor expenses; the general legal situation and the economic environment are decisive. Only then, the tax rate will be a criteria for the siting of enterprises. On the other hand, he stated that a minimum tax rate will not be practicable due to the resistance of several member countries.

But even with the project to harmonize the assessment basis for corporate taxation, there arise significant difficulties. Twenty of the 25 member states agree to a harmonized assessment basis, two are strictly against it, and three states have doubts. Since there is the principle of unanimity with taxes, new approaches have to be made. So the problem of unanimity with the assessment basis may be avoided in the way that the countries, which are in favor of a harmonized assessment basis, will cooperate internally. The 20 countries may agree upon a harmonized assessment basis; whereas the other five countries may maintain their system. A working group is already dealing with the creation of a harmonized assessment basis.

He expressed his optimism that the other five countries will later be also convinced of the usefulness of a harmonized assessment basis, and also that they will give up their resistance in order not to be isolated.

In the framework of the description of the customs activities and plans, Commissioner Kovács promised to include UFE in the elaboration of a follow-up project to "Customs 2007". Kovács illustrated the attitude of the Commission to provide trade facilitations, but to increase the safety at the same time. With regard to counterfeits, Commissioner Kovács explained that they undermine competition, destroy jobs and endanger health and safety of citizens all over the world.

The customs authorities identified, e.g., over 100 million counterfeits in the EU in 2003 which meant an increase of more than 900 % within four years. These cases are only the tip of the iceberg; the damage is estimated to well over 400 billion euros. Sixty percent of the counterfeits alone originated from China.

China tries to contribute to a change which means a very tough challenge with 5,000 sea containers per day and 1,000 flights per week that come to Europe. Both sides expect to gain an effective weapon from the cooperation agreement recently signed with China. It is absolutely necessary to have a better cooperation between the customs authorities themselves, but also between the customs authorities and the enterprises. Moreover, the cooperation with non-European countries must be improved.

Finally, Commissioner Kovács emphasized that he is very interested in a further and closer cooperation with UFE and an active assistance by UFE.

UFE in discussion with the Directorate General Taxes and Customs Union

Following the discussion with Commissioner Kovács, detailed issues from the customs field were discussed with customs experts from the Directorate General. Directed by the Chairman of the Tax Commission, Jørn Rise Andersen (DK), also Frank Campell (GB), Klaus-Hilger Leprich (GE), UFE President Dieter Ondracek (GE) and UFE General Secretary Rafael Zender (GE) discussed special problems from the customs field with John Pulford, the responsible head of the division customs policies and customs examinations, as well as Christian Zimmermann (FR). Among

other things, the risk information system (RIF), problems of customs training and customs examinations as well as the permanently growing hazards arising from counterfeiting/product piracy were discussed. John Pulford appreciated the suggestions from the practical work and expressed that high importance is attached to the cooperation with ufe. Additionally, the Commission will inform ufe about current projects and decisions. It was also proposed to meet again before the session of the Tax Commission of ufe on 20/21 September 2005 in a similar line-up to exchange information about the up-to-date situation of the elaboration of problem solutions.