

UFE on Course of Growth

A Strong Partner for the EU Commission

The expansion of the association has been in the focus of the 43rd Committee meeting of the Union of Finance Personnel in Europe (UFE). The Union of Finance Personnel in Europe, founded by Hermann Fredersdorf in 1963, representing more than 350,000 members from 40 individual trade unions in 20 countries by now, has welcomed quite a large number of new members. The Greek trade union POE-DOY, being responsible for taxation affairs, has applied for a membership in UFE, and a second large trade union, working in the field of customs, O.S.Y.O, has expressed an interest in a membership in UFE. According to their applications, the big Spanish customs trade union GESHTA as well as the Portuguese trade union Sindicato dos Trabalhadores dos Impostos (S.T.I.) have been admitted. After the Hungarian tax trade union ADOSZT has joined UFE a number of years ago, now the independent Hungarian Customs and Finance Guard, i.e. the representatives of customs employees, could have been admitted. Another new member is the Czech professional representation of customs officials, Spolek celníků České republiky (SCCR). This demonstrates that UFE, currently representing more than 400,000 individual members from the customs and taxation domain, experiences the really deserved esteem.

The highlight of the Committee meeting has been the opening speech of the EU Commissioner László Kovács who is responsible for Taxation and Customs Union, and who has spared unscheduled time following his lecture to answer to the questions of the more than 100 delegates.

After the illustration of current customs and taxation policies of the Commission, László Kovács has intensively explained the efforts directed to the combat against fraud in Europe. He has explained the reasons as to the issue of the combat against turnover tax fraud, why the introduction of the reverse-charge-system is rejected, and referred, in agreement with UFE, to the position that primarily the opportunities of the existing turnover tax system shall be used by an increased employment of staff and an

improved cooperation between the member states. Kovacs has lined out that it is important for him to address the delegates of UFE as an EU Commissioner since the member associations being organized in UFE, from the taxation and customs domain, are important decision-makers for the adequate practical implementation of EU standards, i.e. they will contribute to the success of such rules.

In the domain of customs, the UFE Committee has dealt, among other things, with the system of Authorized Economic Operators, being proposed by the Netherlands, which envisages that enterprises concluding a contract with the financial authorities will benefit from fiscal easings and the abstention of company audits. Thus, the idea of a better service will be focussed instead of the controlling attitude. However, UFE feels that this model means a wrong track since one cannot do without control, because this can be concluded, e.g., from a surplus of € 13 billion from company audits in Germany in the year 2005. The meat scandal in Germany demonstrates that there can be only a limited reliance in enterprises to really comply with their obligations on their own authority.

Pointing to the efforts of the Commission as to a joint consolidated corporate income tax (GKKB in German), UFE has demanded also to tackle the introduction of a uniform European balancing guideline. It has to be understood that – under certain circumstances – several balance sheets have to be drawn up for one enterprise in one European state, namely one for the joint consolidated assessment base, one according to IAS / IFRS, one according to commercial law, one, if applicable, according to US-GAAP for activities in the United States.

Moreover, UFE believes that it is useful to introduce a minimum tax rate apart from a consolidated corporate income tax basis (GKKB) in order to avoid tax dumping. Certainly, the height of this minimum tax rate calls for a political decision.

The weak point of the European interest tax guideline, being in force since

July 2005 in all 25 EU member states, has also been an issue of the Committee meeting. This interest guideline shall assure that investors will declare the interests occurring in the EU in their country of residence. Respective rules are also applicable for Switzerland, Andorra, Liechtenstein, Monaco and San Marino as well as for the Channel Islands, the Isle of Man and independent or associated territories in the Caribbean Sea.

Twenty-two EU states are exchanging information about interest incomes of EU citizens from 1 July 2005. Austria, Belgium and Luxembourg are not participating in this information system. They retain a lower withholding tax. The investor remains anonymous. The state where the tax payer is resident will receive 75 % of the earnings gained from this withholding tax.

For payments received from Luxembourg amounting to € 48 mio., from Austria (€ 13 mio.) and Belgium (€ 10 mio.), Commissioner Kovacs has admitted that these results have not met the expectations.

Due to numerous gaps in rules, offering the investor many opportunities to evade the interest taxes on a legal way, e.g. via other investment products, earnings from accumulated funds, hedge funds, derivatives, stockbroking transactions, "One-man-funds", UFE calls the Commission to even more deal with the investigation of loopholes contradicting the programme.

UFE has explicitly welcomed the intention of the Commission to contact other countries so that interest earnings of EU citizens will also be taxed in Hong Kong, Singapore and Macao. Commissioner Laszlo Kovacs has explained that the Commission will increasingly try for a standardized handling of the interest tax guideline and its further development.

The Committee has welcomed the continuation of the programme FISCALIS, which is now called FISCALIS 2013. FISCALIS is a "Community programme to improve the operation of taxation systems in

the internal market” and refers now – different to its forerunner – apart from indirect taxes also to direct taxes. The programme has to be seen against the general background of the agreed Lisbon-Strategy that growth and employment have to be seen as the most important challenges for the European Union within the next few years. The Programme 2013 is to actively contribute to the implementation of this strategy by further developing the cooperation between the tax administrations. Among other things, actions as to the organization and financing of multilateral investigations for a better combat against border-crossing fraud as well as the financing and improvement of existing communication and information-exchange systems are envisaged. Multinational seminars and the financial and organizational assistance to exchanges of officials are planned, too.

The exchange programme as part of the overall programme FISCALIS shall enable the participants to carry out their current professional duties in a European context in a better and more intensive way in the future. The exchange which will be organized by the respective host country, and will normally last two weeks.

Core issues of the discussion in the customs domain have been the combat against customs fraud in Europe with the focus on product piracy and cigarette smuggling, the modernization of the Customs Codex and the introduction of an action programme for customs in the Community (Customs 2013). Other key issues have been the development of information technologies with uniform standards for trouble-free communication, for an efficient customs clearing and risk-oriented controls. UFE has called, apart from the stoppage of the staff reductions, for the introduction of social minimum standards in case of organizational changes, a standardized basic training of the staff, the establishment of a European Customs Academy for management staff, the fixation of binding control quotas with the opportunity for sanctions, since these come to less than 1 % of the imports, as well as a closer involvement of the customs administrations in the implementation of prohibitions and restrictions in the border-crossing goods traffic (e.g. drugs, brand piracy, health and

consumer protection) at a uniform level in the internal market in order to avoid unfair competition.

The PowerPoint presentation on the subject of „Product Piracy and Cigarette Smuggling”, which the President of the Customs Criminal Intelligence Office in Cologne, Karl-Heinz Matthias, had made possible, has attracted a special interest. The lecturer he had delegated, Mrs Heike Barczyk, Head of the Regional Intelligence Liaison Office for Western Europe (RILO WE), has been an extremely competent dialogue partner for the colleagues. The PowerPoint presentation has explained the manifestations of, the extend of, and the combat against product piracy and cigarette smuggling in an impressive way.

Apart from factual issues, the election of the new Presiding Board of UFE for the coming four-year term of office has been part of the agenda. With impressing 122 out of 123 votes, UFE President Dieter Ondracek has been reelected for this period. Colleague Nico Goor (NL), receiving 107 votes, Colleague Jørn-Rise Andersen (DK), receiving 96 votes, Colleague Frank Campbell (UK), receiving 88 votes, Colleague Giordano Schera (CH), receiving 88 votes, and Colleague Serge Colin (F), receiving 80 votes, have been elected Vice-Presidents. In accordance with the statutes, Colleague Klaus-Hilger Leprich, Chairman of the German Customs and Finance Union (BDZ) has been co-opted to the Presiding Board as Vice-President.