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WITH(OUT) HOLDING TAX

8 MAY 2019

WELCOME AND INTRODUCTION

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#withoutholdingtax

DEVELOPMENTS SINCE THE PUBLICATION OF THE CODE OF CONDUCT ON WHT

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Head of Sector, DG TAXUD, European
Commission

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Partner, Global International Tax Policy
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#withholdingtax



The Code of Conduct on Withholding Tax

8 May 2019

**Brussels – With(out) Holding Tax event
organised by Accountancy Europe and
PensionsEurope**

Presentation by:

Mr Savino Rua, Head of Sector, Administrative Cooperation, Unit Direct Tax Policy and Cooperation, DG Taxation and Customs Union, European Commission

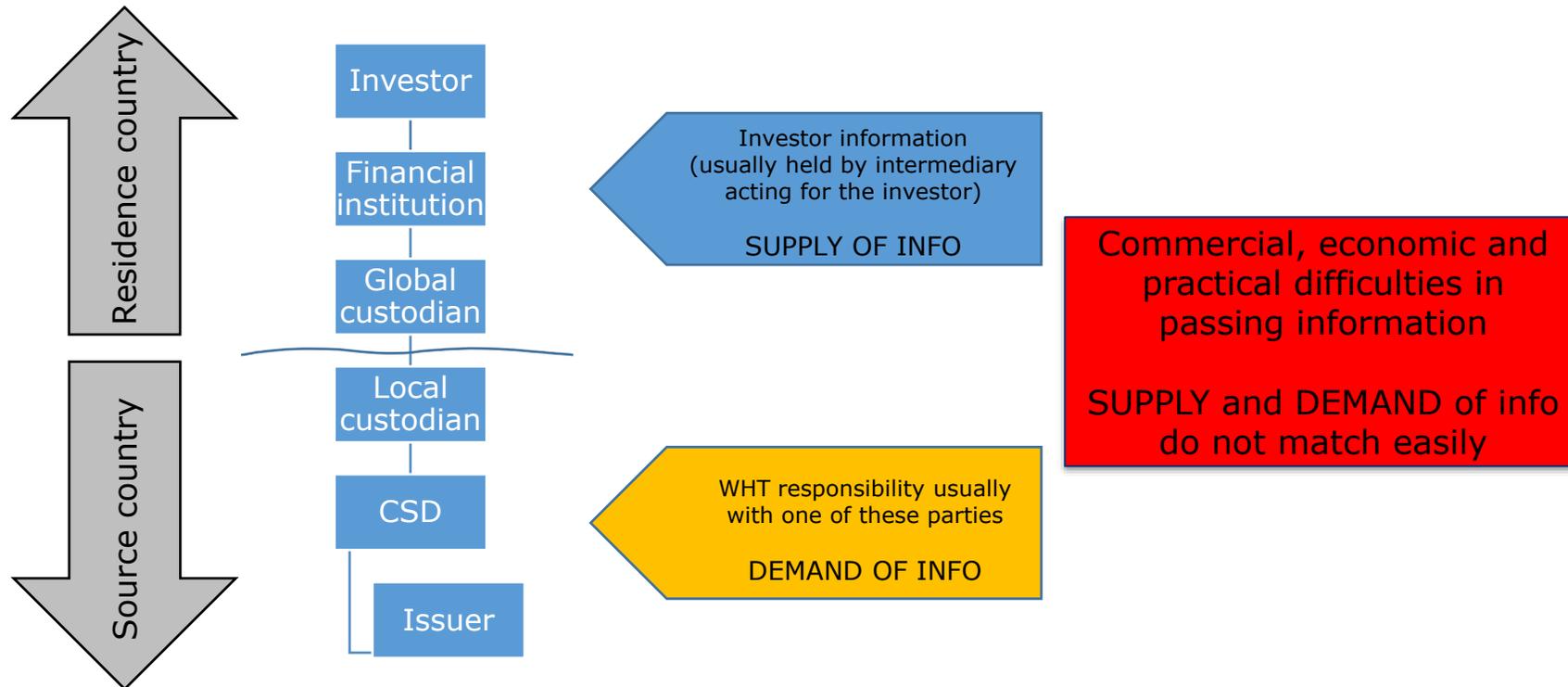
taxud-d2-acdt@ec.europa.eu

My 3 messages

- 1. Compliance costs of inefficient withholding tax (WHT) procedures are problematic; yet, it is important to bear in mind tax revenues are useful and that the issue of fraud must be taken into account as well.*
- 2. The Code of Conduct is not a "silver bullet": it is a proportionate tool to promote convergence of practices around more efficient ways of handling cross-border WHT processes.*
- 3. The Code of Conduct is "alive": it has been followed up in 2018 and will be followed up in 2019 to ensure it promotes positive change.*

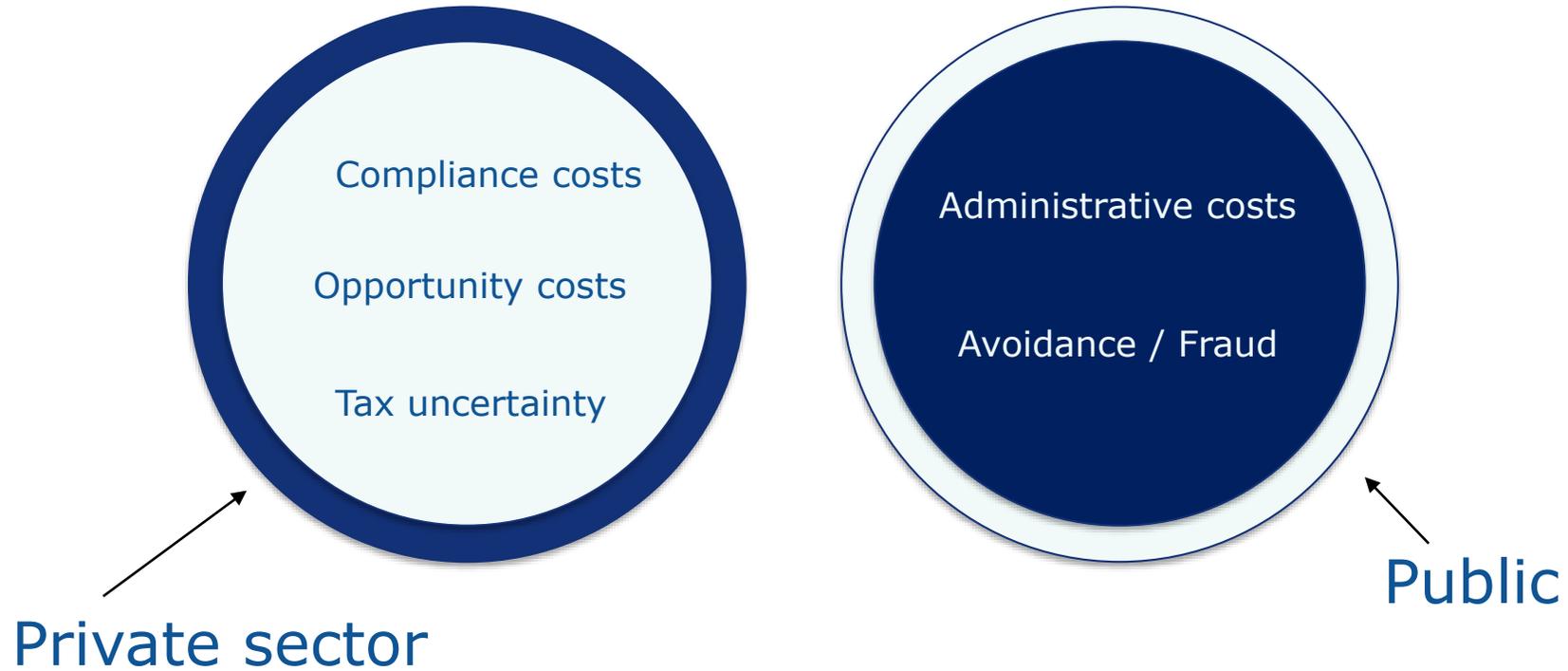
Compliance costs of inefficient withholding tax (WHT) procedures are problematic; yet, it is important to bear in mind tax revenues are useful and that the issue of fraud must be taken into account as well...

High-level presentation of the problem



In short, the challenge is how (tools, costs, time etc.) to pass sufficient information to the source country actors to enable them to apply the correct amount of tax (if any)...

Two sides of the coin...

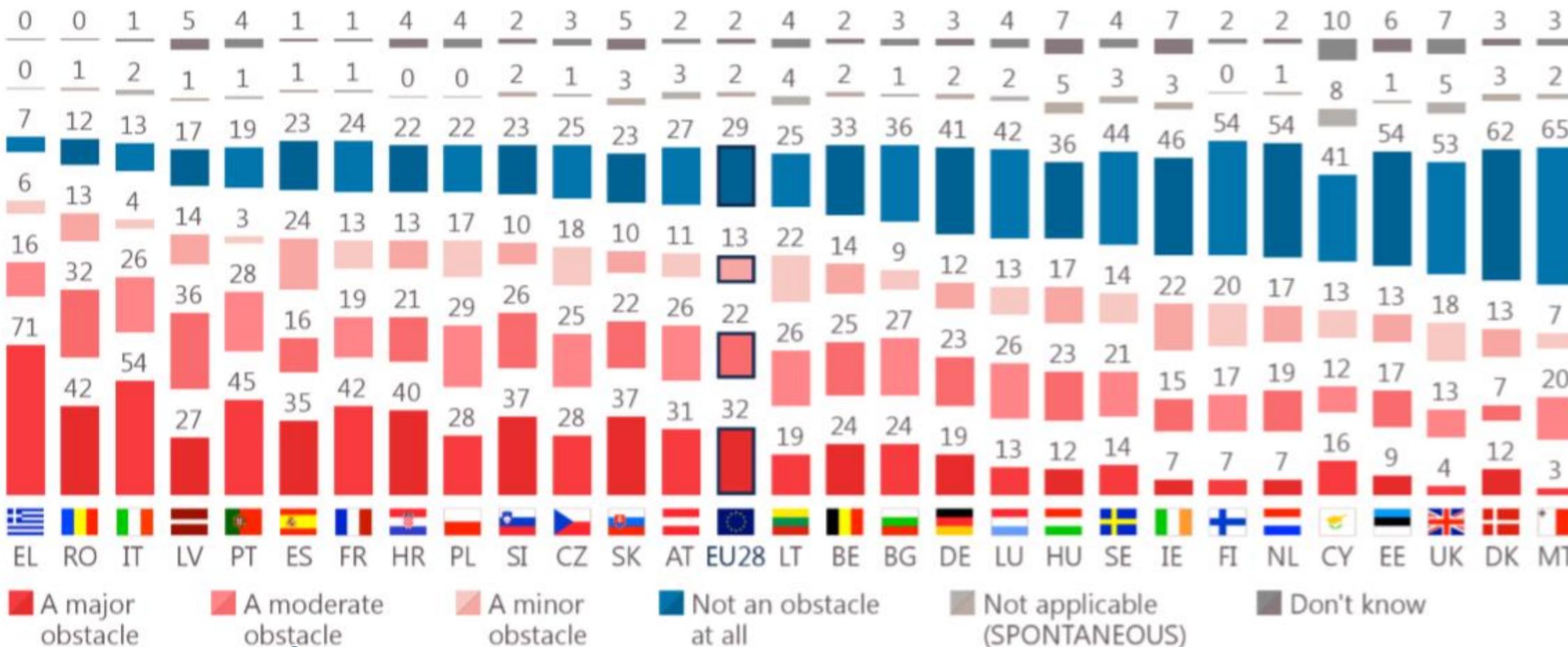


Quantification and ranking of problems: challenging...

Problem magnitude likely varies

Q2.7 Thinking about your company's experience in (OUR COUNTRY), to what extent have each of the following been an obstacle to investment in (OUR COUNTRY), depending on the country / -ies

Complexity of tax rules (%)



Source:

Eurobarometer 459 Investment in the EU Member States

Fieldwork in November 2017

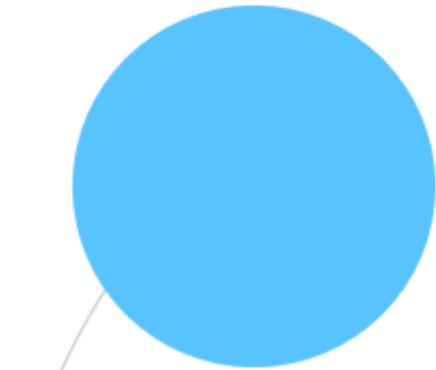
Publication in November 2018

Base: All companies (N=10,626)

Problem statement is nuanced by the fact that tax is not just a problem...

- *Tax revenues (in general, not just WHT) are essential to sustain the European social market economy and pay for things citizens, businesses and society as whole benefit from – and often it is about **pensions...***

 Social protection (18.8% of GDP)



 Education (4.6% of GDP)



 Health (7% of GDP)



 General public services (5.8% of GDP)



Source:
Eurostat - Government expenditure by
function for European Union (28
countries), 2017 (% of GDP)



European
Commission

The Code of Conduct is a proportionate tool to promote convergence of practices around more efficient ways of handling cross-border WHT processes for the benefit of cross-border investors.

Context of the Code

International

Tax treaties

EU law

EU non-binding

Other int'l instruments (OECD)

The code of conduct on withholding tax is a non-binding instrument

National

Member States tax laws

Procedures, administrative guidelines (...)

The Code of Conduct: a short history

2018	Workshop (November) Workshop (June) Public hearing (January)	
2017	Expert group direct taxes discusses the code (October) Fiscalis project group 077 (March – June) Expert Group on barriers to free movement of capital	<div data-bbox="1696 396 2046 611" style="border: 2px solid black; padding: 5px; text-align: center;"> Code of Conduct (December) </div> EG report (March)
2001 – 2016	CMU Communication (2015) T2S ECB survey (2013 – 2015) T-BAG report (2013) FISCO Recommendation (2009) TRACE (OECD, 2006 – ongoing) FISCO Group reports Giovannini reports (2001-2003)	

The Code of Conduct: overview

- **Capital Markets Union** – priority of the Commission
- Code of Conduct - response to 2017 report by EU Commission Expert Group on barriers to free movement of capital
- Based on previous work by the Commission in the WHT area
- Developed by the Commission alongside a Fiscalis Project Group of 13 Member States which met 5 times
- Published 11 December 2017
- **Set out approaches to improving WHT procedures and called for voluntary commitments by Member States**

Code of Conduct: focus on stakeholder problems

Burden placed on institutions (today and after code implementation)

High costs to supply and manage info for investors and tax admin:
lots of paper involved to prove tax residence / BO; slow procedures; low automation; high risks of fraud

Lower burden: Simpler forms; less paper;
more automation; clear time-limits

Focus: proof of tax residency / BO (today and after code implementation)

Tax residence certificates attached to often complex and very different forms – often to be handled not electronically

Lower burden: self-certification recommended; user-friendly forms; use of IT systems to pass information

Code's objectives

1 Open to non-residents

2 Relief at source

3 Digital refund

4 Digital administration

5 Max. 6 months delay

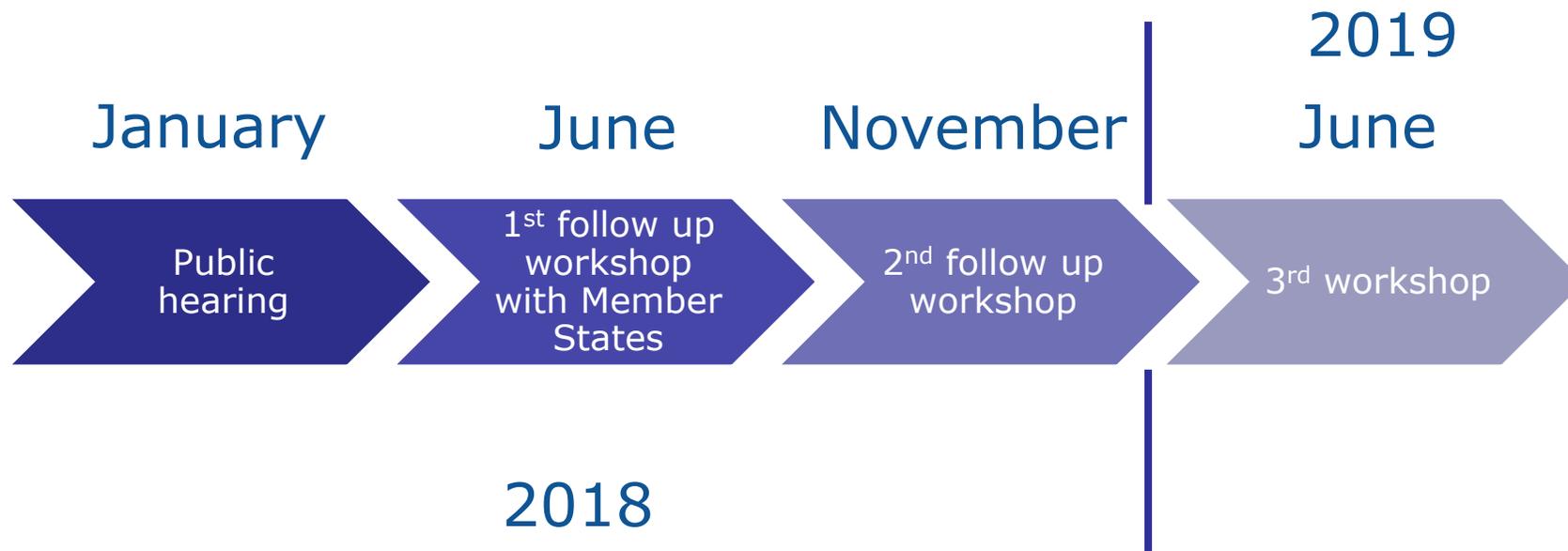
6 User-friendly doc.

7 User-friendly forms

8 Single point of contact

The Code of Conduct is “alive”: it has been followed up in 2018 and will be followed up in 2019 to ensure it promotes positive change

Follow up



Public hearing on 30 January

- **More than 100 participants attended** the hearing, from the industry (banking, pension funds, asset managers, tax consultancies etc.), tax administrations, fiscal attaches, consumer organisations, students...
- **VP Dombrovskis speech**
- Real **success** & lively **debate**
- The objective of **raising awareness** among key stakeholders.



Public hearing

Panel discussion – Withholding tax procedures

Why they do harm? Can the Code help? [10.10-11.20]

Chair: *Mr John Berrigan*, Deputy Director-General, DG FISMA

Panellists:

Ms Merje Roomet, Chief expert at Estonian Tax and Customs Board, Member of the Fiscalis Project Group

Mr Matti Leppälä, Secretary General/CEO, PensionsEurope

Mr Marcello Topa, EMEA Market Policy and Strategy Director, Citi (European Post Trade Forum member)

Ms Silke Bruns, Head of Unit at the German Ministry of Finance, Member of the Fiscalis Project Group

Mr Paddy Ryan, Senior Tax Advisor, Dividend Withholding Tax Refunds Processing Unit, Tax Authority, Ireland



Public hearing



Panel discussion - Implementation of the Code of Conduct on WHT

How to ensure that the Code actually leads to change - Actions and commitments needed to implement the Code [11.35-12.45]

Chair: Mr Valère Moutarlier, Director, DG TAXUD

Panellists:

Ms Tove Maria Ryding, Tax Justice Coordinator at the European Network on Debt and Development

Mr Peter de Proft, Director General, European Fund and Asset Management Association (EFAMA)

Mr Guillaume Prache, Managing Director, Better Finance

Mr Joël Merère, Independent member of the Eurosystem Market Infrastructure Board (T2S); T2S member of the European Post-Trade Forum

Mr Morten Winther, Business Developer, Tax Authority Denmark

Public hearing – Main takeaways (1)

- It was agreed that **WHT procedures can be in some cases demanding**, resource-intensive and costly, claim forms differ, available in different languages (56 different forms exist in the EU). There is a lack of online refund procedures.
- Balanced approach** is needed between fair taxation and efficient/simpler tax procedures.
- More **pragmatism** is needed. The added value of the code is an attempt to present a common European way to do things; it is not exhaustive; it does not aim to harmonise national tax legislation.

Public hearing – Main takeaways (2)

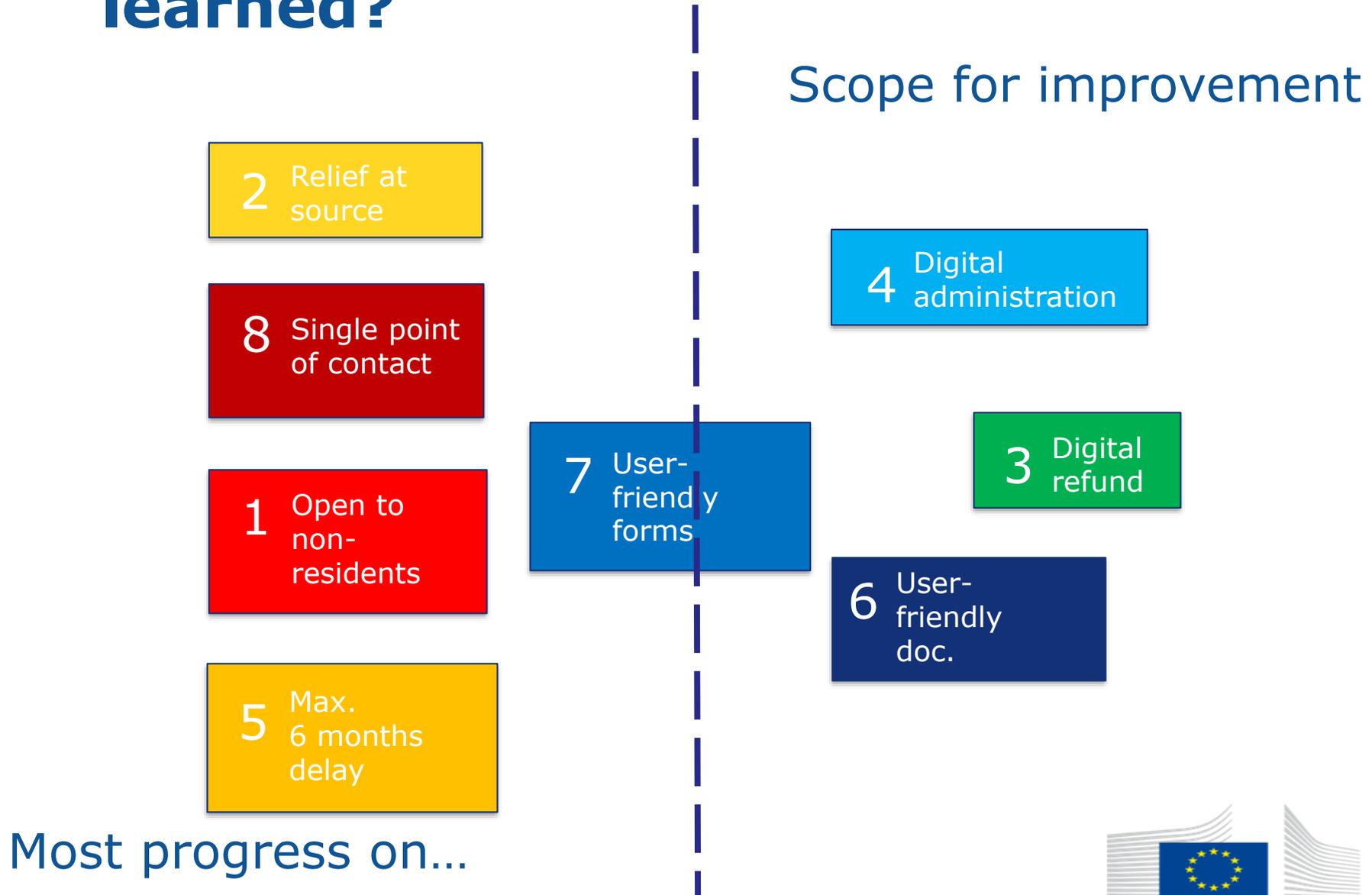
- **Digitalisation**, setting up **single point of contacts for refund procedures** and **user-friendly forms** and **documents requirements** have been mentioned by the speakers/audience as the most important requirements of the Code. **Relief at source** system was praised by many but accepted that it is not a "one-size-fits-all" approach.
- **Monitoring and dialogue**: Some doubt that a non-binding Code can lead to change. To turn the code from paper to reality a follow up and monitoring mechanism shall be in focus.



Workshops to follow up: some notes of context...

- *Meetings are opportunities for tax administrations to share experiences and challenges in managing WHT processes*
- *Meeting are useful to know about the code's uptake, in its various elements, and across the EU*
- *Voluntary process: Member States are invited to attend the workshops – we cannot force them to do so*
- *Tax administration remains a competence of Member States*

Follow up workshop: what have we learned?



Follow up workshop: what have we learned?

- *Non-resident investors can generally apply for relief at source or for refund*
- *Relief at source is a widespread practice as are single points of contact*
- *In 2017, most Member States provided refunds on average within six months*
- *User-friendliness of forms and supporting documentation is mixed: overall positive when it comes to forms and guidance not that much when it comes to documentation*
- *Digitalisation of refund procedures remains limited*

To conclude...

The Code of Conduct is a proportionate, balanced and pragmatic policy to make progress on WHT simplification

- *Compliance costs of inefficient withholding tax (WHT) procedures are problematic; yet, it is important to bear in mind tax revenues are useful and that the issue of fraud must be taken into account as well...*
- *The Code of Conduct is not a "silver bullet": it is a proportionate, pragmatic and balanced (compliance and simplification) tool to promote convergence of practices around more efficient ways of handling cross-border WHT processes.*

2019: Keep monitoring the Code to ensure it delivers

- *The Code of Conduct is "alive": it has been followed up in 2018 and will be followed up in 2019 to ensure it promotes positive change.*
- *The follow up so far indicates that on several aspects of the Code the situation has improved; there remains however scope for improvement on other areas.*
- *Further actions cannot be excluded – but there are no concrete plans yet; the policy for the time being is to follow up and monitor the Code's implementation.*

Thank you for your attention.

DEVELOPMENTS SINCE THE PUBLICATION OF THE CODE OF CONDUCT ON WHT

Marlies de Ruiter

Partner, Global International Tax Policy
Leader, EY



#withoutholdingtax

Improving Withholding Tax Procedures in Europe

Marlies de Rooter, Global International Tax Policy Leader



The better the question. The better the answer.
The better the world works.



EY

Building a better
working world

What is the global withholding tax challenge?



TRUST & TRANSPARENCY

- ▶ **Complex networks** of intermediaries and **inefficient processes**
- ▶ All stakeholders have a **lack of trust** in the data
- ▶ Some **ambiguous** regulations
- ▶ Investors and intermediaries **will not share** key data or have **complex** permissions



EFFICIENCY

- ▶ **Vast volumes of paperwork** passed between intermediaries
- ▶ Highly manual, inefficient and subject to **operational risk**
- ▶ **Significant time** and **specialist resources** spent on the process
- ▶ Entity classifications are **not standardised**
- ▶ Can take **years** to receive cash



SCALABILITY & ADOPTION

- ▶ **No standard system** which has buy in from all stakeholders
- ▶ Major documentation **variation**
- ▶ No **golden source** of data
- ▶ Intermediaries do not want to take on **additional liability**
- ▶ Current proposed solutions require **law changes** and **significant investment**

The impact is that investors **suffer higher WHT in the source country** and/or **cannot claim a tax credit in their home countries** resulting in tax leakage and system has been subject to **tax fraud**

A solution – OECD's TRACE

TRACE would allow authorized intermediaries to claim exemptions or reduced rates of WHT, pursuant to tax treaties, on a pooled basis on behalf of their customers that are portfolio investors.

What does TRACE aim to do?

Simplify the investors' ability to receive **tax treaty benefits**

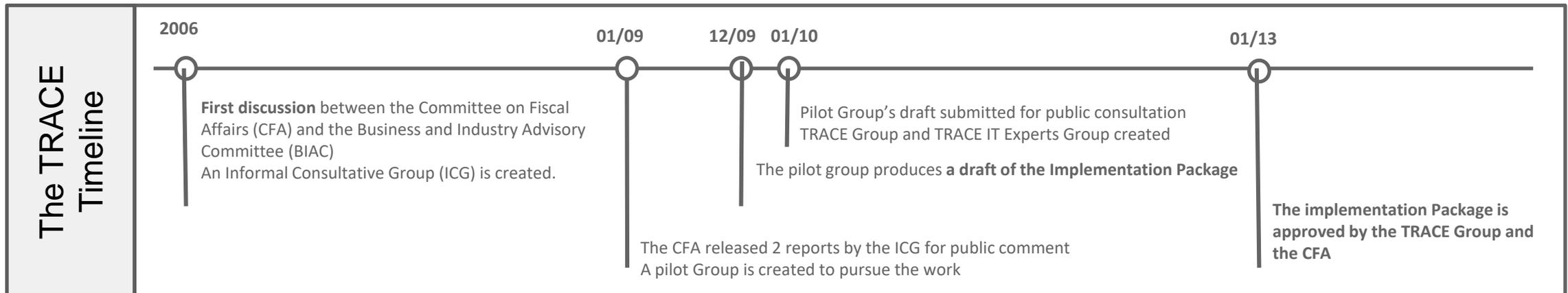
Develop efficient treaty relief systems to **minimise costs**

Solutions to ensure **proper compliance** with tax obligations

Foster trust in tax information and increase the **legal certainty**

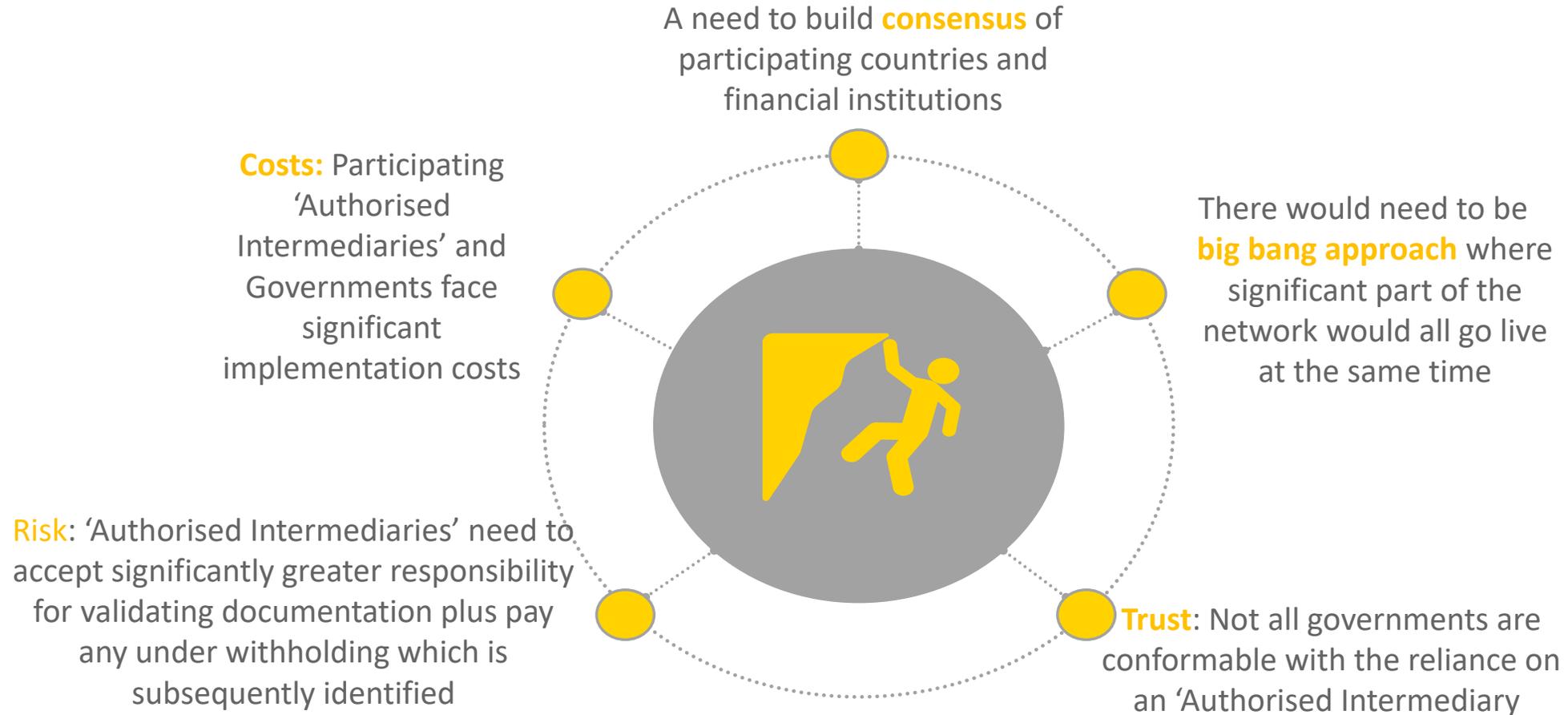
How does TRACE achieve this?

- ▶ **Creates a standardised and a simplified system** for claiming WHT relief on portfolio investments
- ▶ Based on the US IRS QI Regime, it introduces the concept of **'Authorised Intermediary'**
- ▶ There is a **common set of documents** which an investor must complete in order to obtain treaty relief in all relevant jurisdictions
- ▶ **Financial institutions** sign up to be an 'Authorised Intermediary' and take responsibility for validating investor documentation and ensuring the correct rate of withholding is applied
- ▶ Sets out a **blueprint** for country by country adoption



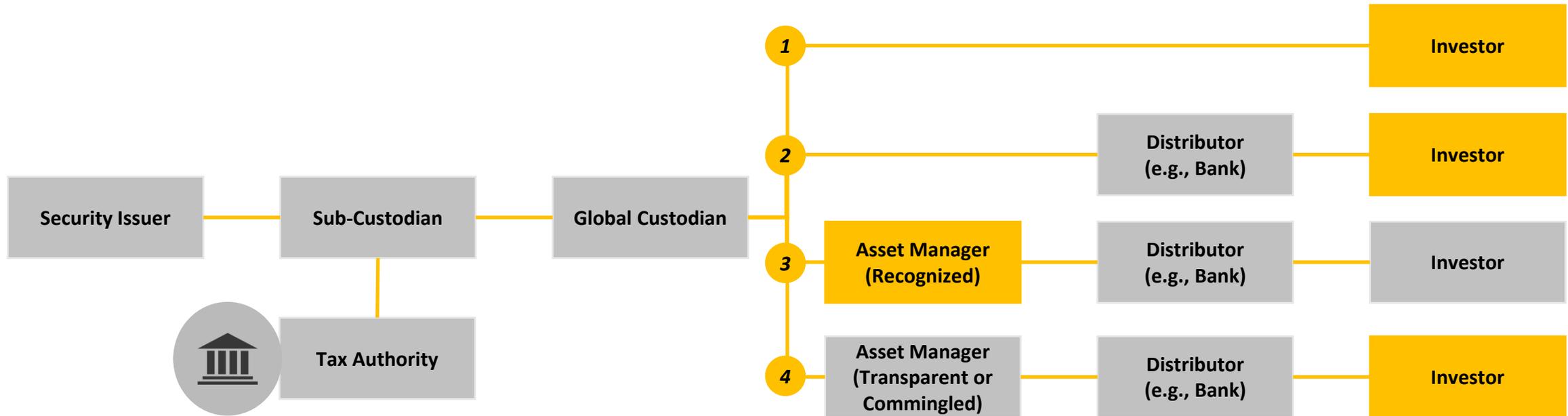
Impediments to TRACE implementation

The 2013 TRACE implementation plan has not yet been implemented by (m)any jurisdictions



Current process – four investor archetypes

Many Investors own securities through a complex network of intermediaries, which results in significant pain-points around securing treaty relief at source (or at all), even in at-source markets.



1

- ▶ Investor (e.g., sovereign wealth fund) invests directly
- ▶ Typically able to secure relief at source; **pain is around processing paperwork in time**

2

- ▶ Investor invests through local distributor
- ▶ **Typically unable to secure relief at source**; requires a reclaim through third-party vendors, incurring cost

3

- ▶ Investor invests via asset manager, in a recognized fund (WHT at fund level)
- ▶ Typically able to secure relief at source; **pain is around processing paperwork in time**

4

- ▶ Investor invests via asset manager in a commingled or tax transparent fund (WHT at Investor level)
- ▶ **Typically unable to secure relief at source**; requires a reclaim through third-party vendors, incurring cost

Recent initiatives for improvement in the EU



Position paper on smoothing WHT procedures beyond Code of Conduct - EU tax register of recognised pension institutions



Recent developments in the EU

Increased disclosure

Belgium

- ▶ “60 day holding rule” for pension funds

Norway

- ▶ Online relief at source / new B.O. disclosure requirements

Poland

- ▶ Relief at source no longer possible

Facilitate relief at source

Denmark

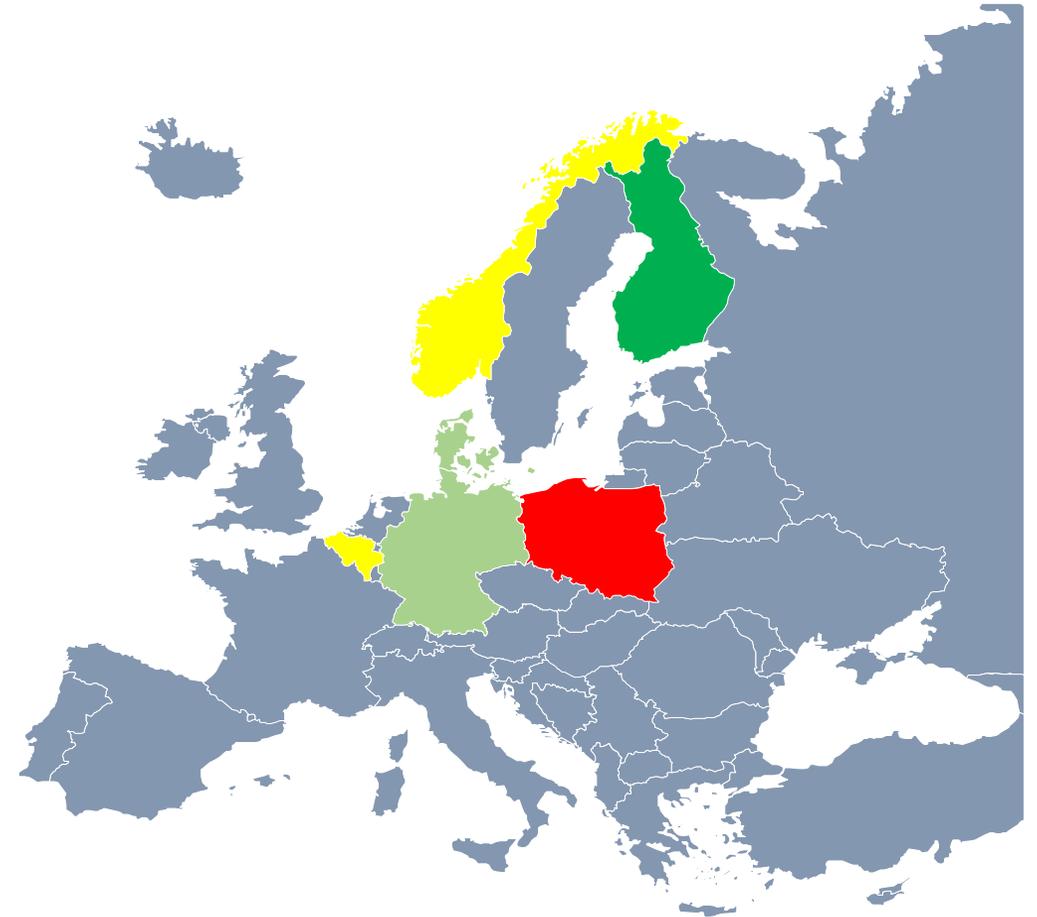
- ▶ Introduction of relief at source

Finland

- ▶ Proposal to implement the **TRACE package**

Germany

- ▶ Relief at source (DWHT) for NR investment funds



Distinguishing between tax technical and implementation issues

Challenge: How to distinguish between

- No agreement on qualifications for treaty entitlement (e.g. definition of a eligible pension fund or treaty entitlement of a CIV)
- No agreement on interpretation on the way of applying the Principle Purpose Test / no clear examples on yes/no treaty entitlement, e.g. for non-CIV funds, holding structures

- Trust in the source data is lacking
- Multiple layers of intermediaries and risks of sharing sensitive data throughout the chain
- Complexities of processes and procedures



Emerging technologies

Emerging technologies are changing businesses and the tax function faster than ever before

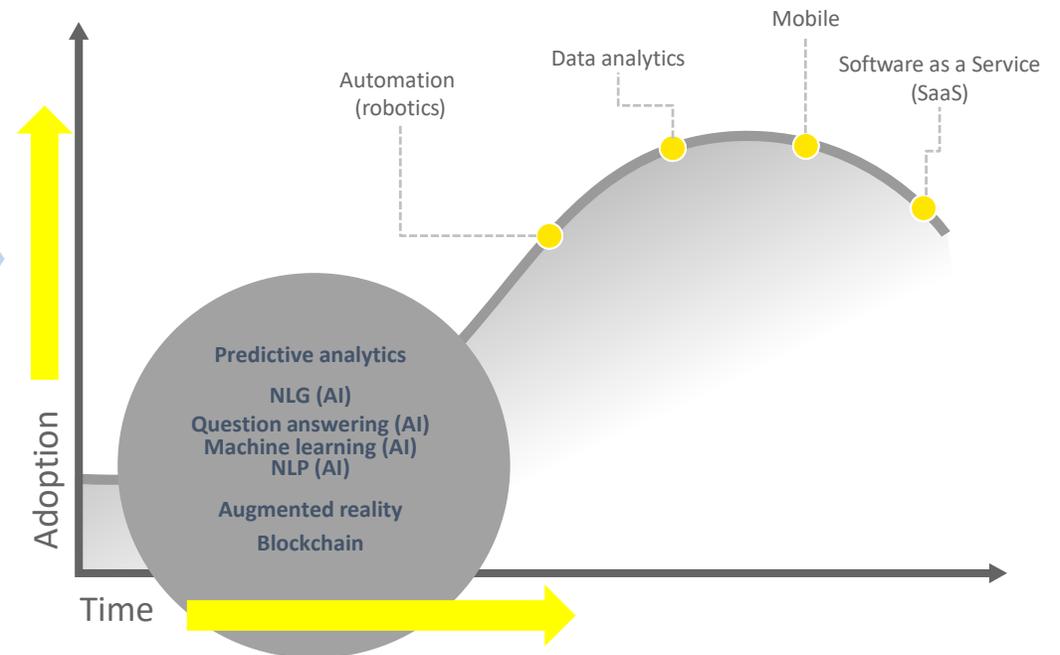
State of technology

Emerging technologies: There is a high volume of new technologies available for Tax innovation	Maturation speed: The pace that new technologies are maturing and entering the market is unprecedented	Impact: These sophisticated technologies impact entire value chains and business models — including Tax
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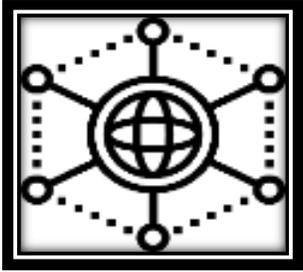
The challenge . . . the opportunity

How do we operationalize these technologies early in their maturity to solve tax problems?

Technology maturity lifecycle

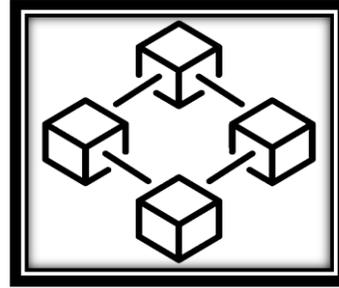


Potential advantages of blockchain



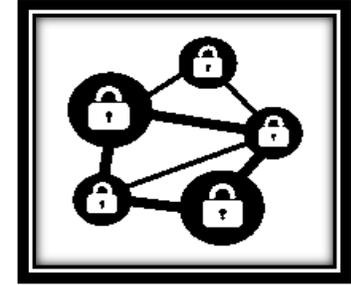
Single Source of Truth Fosters Trust

Single decentralised ledger of key data shared globally



Automated Reconciliation Delivers Efficiency

Smart Contracts ensure mitigation of operational risks and reduce need of single source of truth / intermediary steps



Secure Access to Global Parties Protects Info

Secure encryption to facilitate access by all relevant jurisdictions

The next question: how do technology solutions change the analysis?

- ▶ Is there a most fit for purpose technology solution which can be identified? Blockchain?
- ▶ Is the same level of standardization needed to come to an effective solution when technology is added to the analysis? Can some of the translation into domestic requirements be done by programming instead of by standardization?
- ▶ Does a technology solution mitigate some of the existing concerns with TRACE? Which concerns remain?
- ▶ Is there an impact on the preferred roles and functions of the intermediaries / other stakeholders in the chain?
- ▶ Could some of the information be put on the chain directly by the source? E.g. residency certificates by the tax authorities? What would be the legal implications of moving from automatic exchange of information to putting on the blockchain?
- ▶ Can the technology be introduced gradually or is a big bang needed?
- ▶ If blockchain would be used, would it be preferred to have one platform or is it more realistic to assume that multiple platforms be used?
- ▶ Should these platforms be privately owned or publicly owned?
- ▶ If publicly owned, who should regulate the platform(s)?



Questions & Next Steps

DISCUSSION



MICROSOFT – THE ROLE OF THE CLOUD

Valentina Ion

Government Industry Director, Microsoft
EMEA



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Empowering Governments
With Digital Transformation

The role of Cloud

Valentina Ion

Microsoft Government Industry Director
Europe Middle East and Africa



Azure Cognitive Services improves citizen engagement





WW Tax Gap
\$5 Trillion
(McKinsey report)



only **92** economies
had fully implemented
electronic filing and
payment of taxes
*(Doing Business,
The World Bank)*



On average, it takes
18.4 hrs to prepare a
VAT refund claim and
27.8 weeks to receive
*(Paying Taxes, World Bank
and PWC report)*

Going Digital



1 million/hour
new devices
coming online
by 2020



40% of data science tasks
will be automated, resulting in
increased productivity and
broader usage by citizen data
scientists by 2020



1 billion workers
will positively be
supported by
contextualization
algorithms and
cognitive science
by 2020

Drivers for Digital Transformation



Digital Transformation Accelerators

Security Strategy

- USA Today: Quotes European officials on how EU welfare benefits help fund ISIS
- In 2015, two health insurers were breached, exposing customer data
- Identity fraud hits record with 15.4m U.S. victims in 2016, up 16% (2017 Identity fraud study)

Data Strategy

- More government adopt data governance strategies. UK and Australia are leading
- By 2019 all EU countries will be able to share social security info more rapidly and securely

Digital Identity

- UN & World Bank ID4D goal: provide everyone on the planet with legal ID by 2030.
- Gov.UK Verify introduced in 2016
- EU cross border eID by 09/2018 via eIDAS

Digital Finance

- Australia vision : "No Welfare Reform without digital payments transformation & digital identity strategy"
- Barclays launched digital wallet connected to 3 devices
- In 2015 2.5Bn adults excluded from the formal financial services sector



Cloud

+



Blockchain

Cloud enables Intelligent Citizen Experiences

Key Principles



PERSONAL

Integrate data and use it to personalize all the interaction points.

PROACTIVE

Use artificial intelligence to anticipate and enhance taxpayer behaviors.

PRODUCTIVE

Enhance productivity through task automation and automated workflows and reduce the need for human assistance.

NATURAL

Engage with taxpayers in a natural way, conversationally and in real-time context.

DYNAMIC

Continuously measure and evolve experiences for continuous improvement.

Economics of Cloud Computing

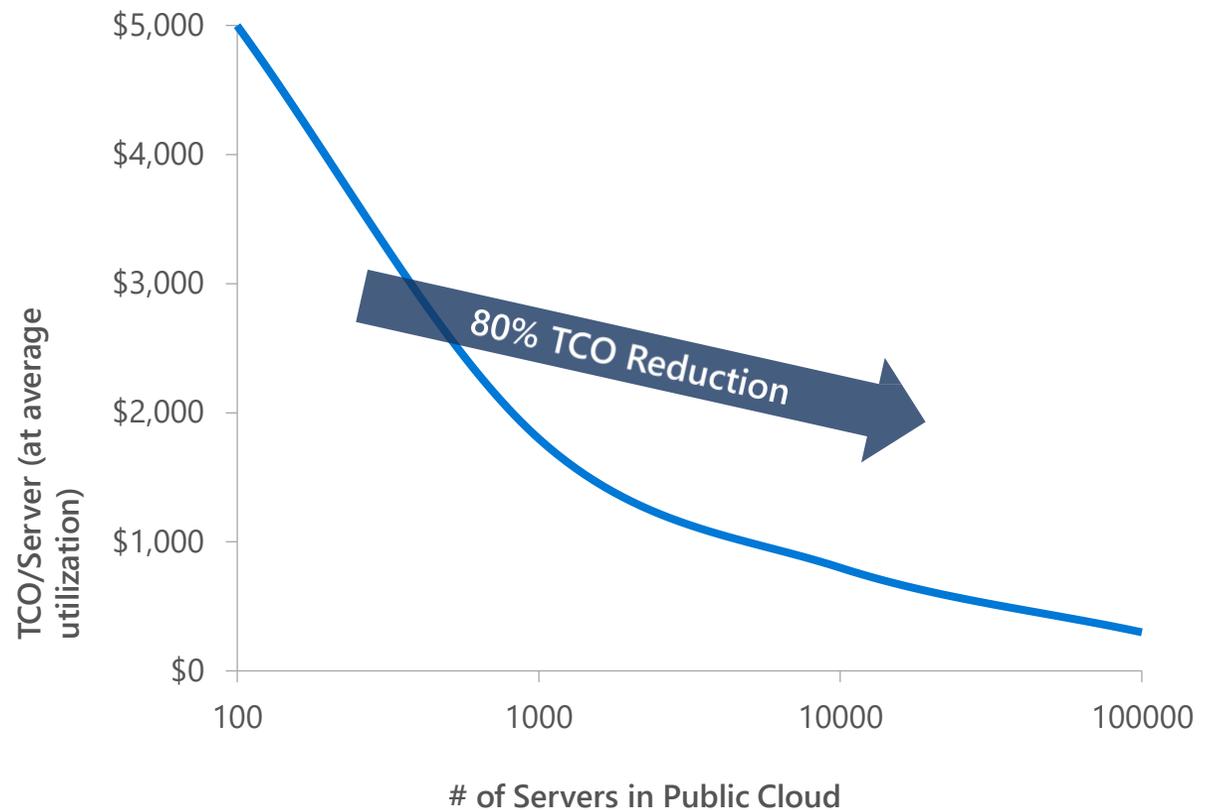
The combination of supply-side economies of scale in server capacity demand-side aggregation of workloads and the multi-tenant application model leads to powerful economies of scale.

To estimate the magnitude, we built a cost scaling model which estimates the long term behavior of costs.

The model indicates that a 100,000-server datacenter has an 80% lower total cost of ownership (TCO) compared to a 1,000-server datacenter.

Source: <http://news.microsoft.com/download/archived/presskits/cloud/docs/the-economics-of-the-cloud.pdf>

100,000-server datacenter TCO compared to a 1,000-server datacenter



Cloud Security

THE WALL STREET JOURNAL. ☰ | **THE CIO REPORT**

Security remains a top cloud concern among those corporate executives hesitant about storing sensitive business information with third-party cloud services.

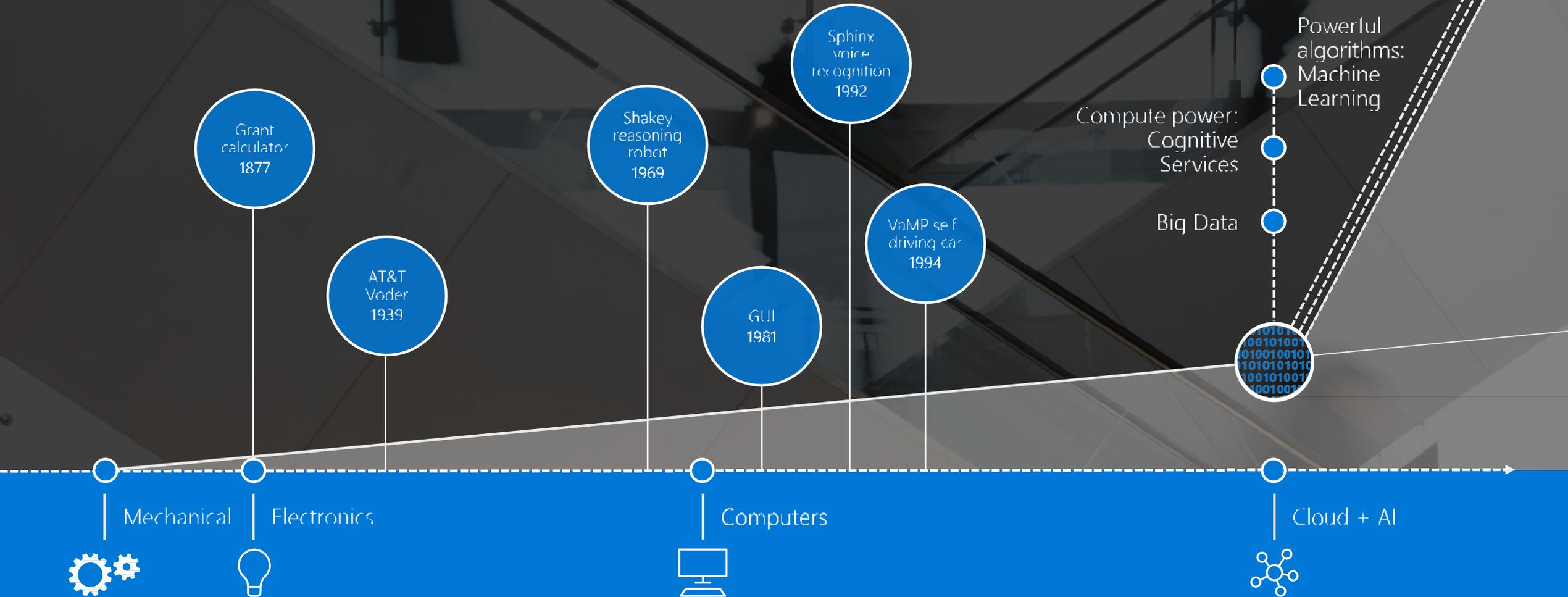
In a survey of 112 CIOs by Piper Jaffray earlier this year, 35% said security was the main reason for keeping data in house.

"That's not to criticize private efforts, but it's just a matter of scale, motivation and risk that I think is tipping pretty quickly in favor of cloud providers"

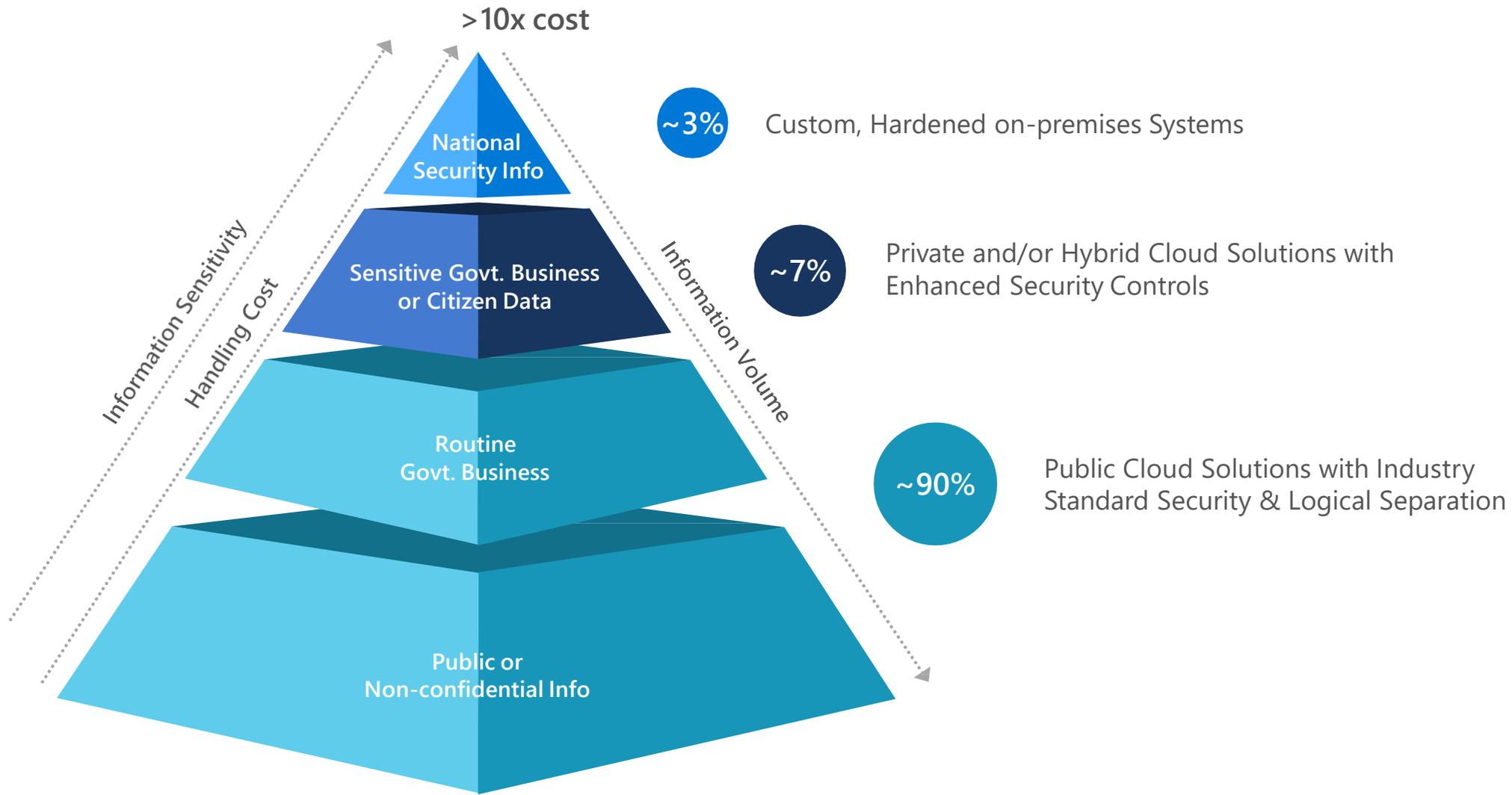
- US CIO Tony Scott

Why Cloud ?

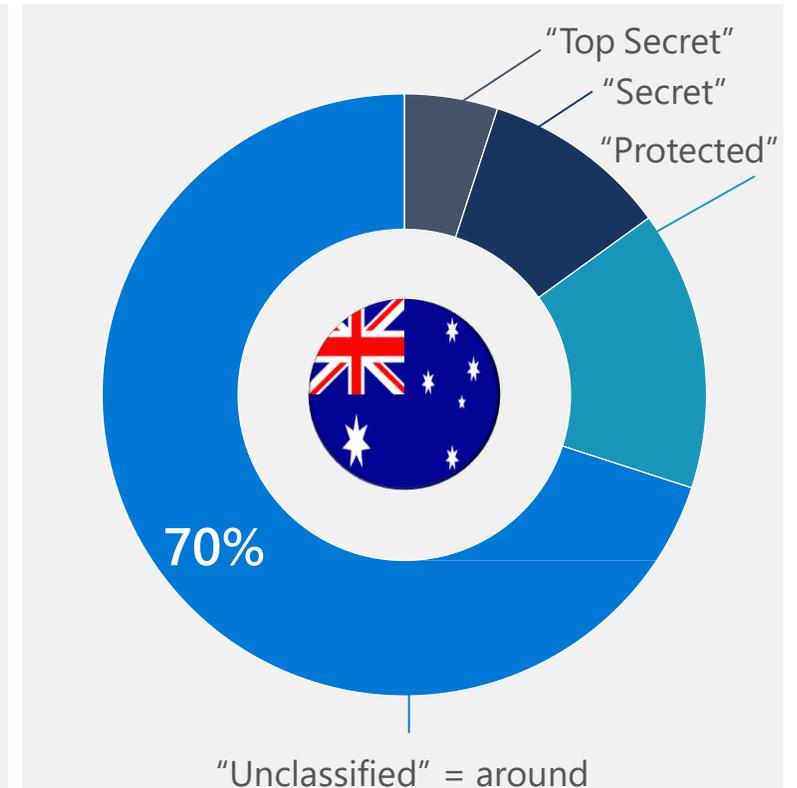
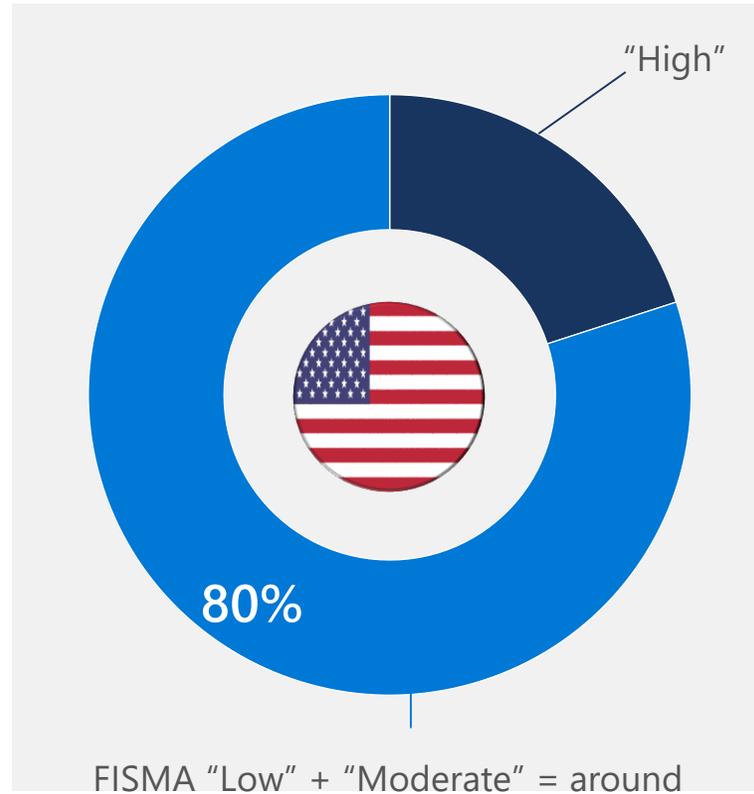
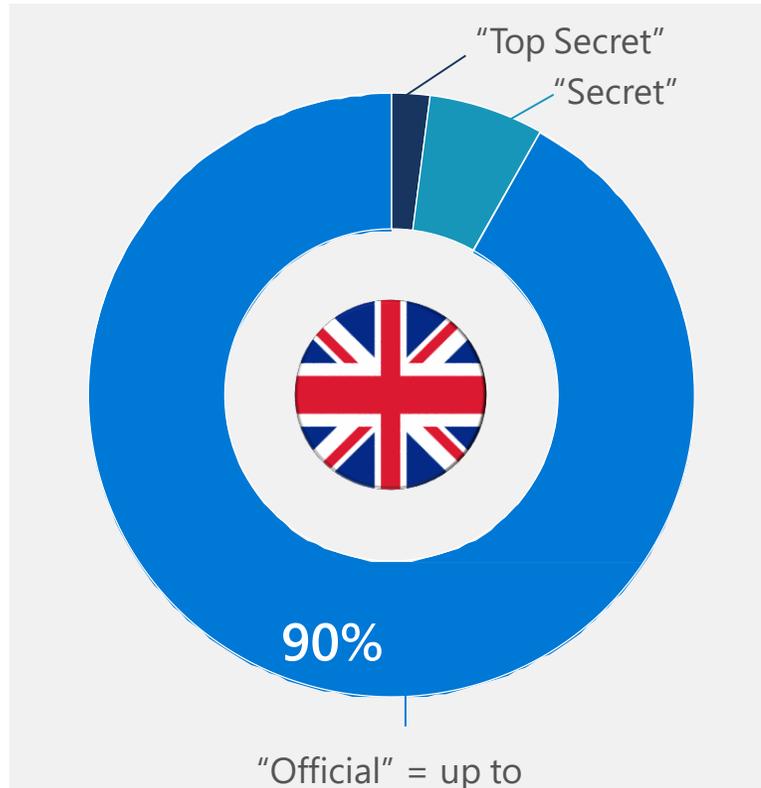
AI enhancing Human Ingenuity



Determining What Data Lives in the Cloud

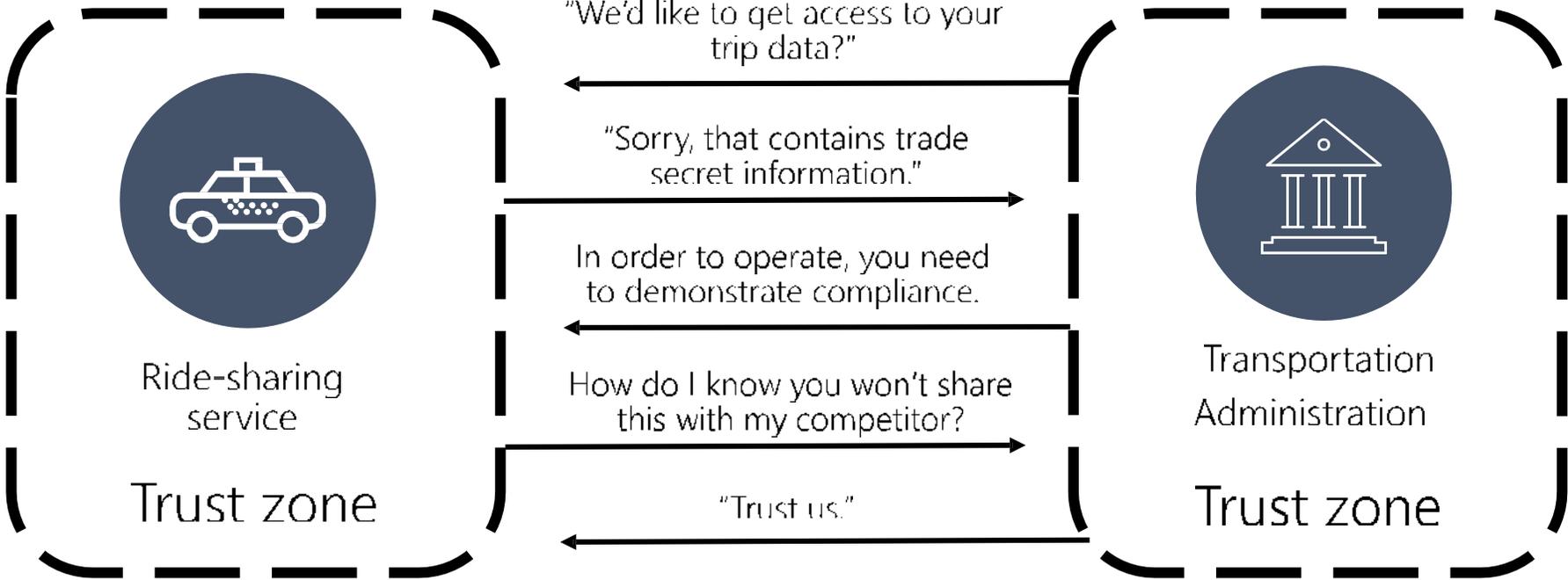


Most Data is Cloud Ready – 3 Government examples



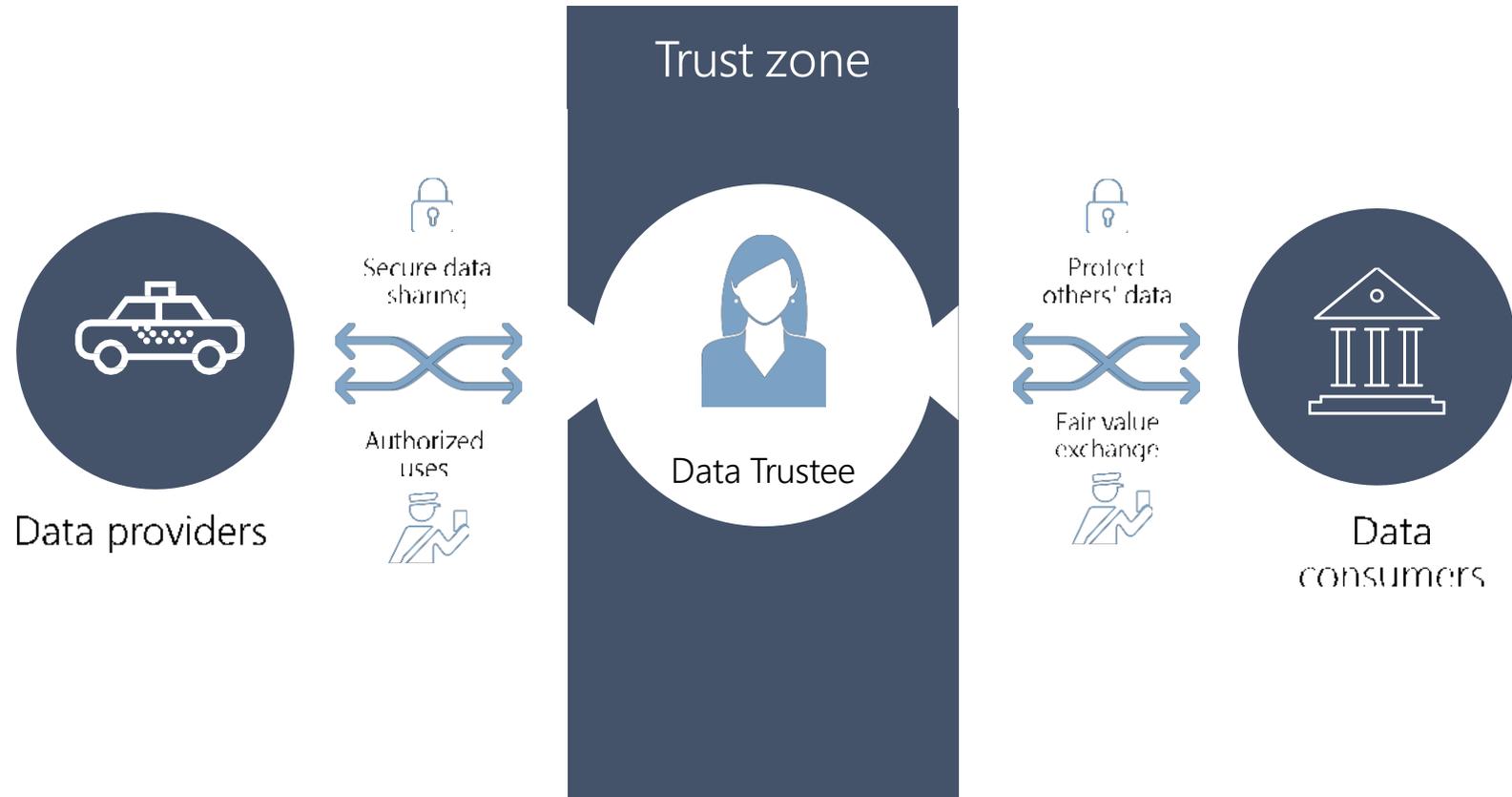
- Hyperscale cloud solutions with industry standard security & logical separation
- Private and/or hybrid cloud solutions with enhanced security controls
- Custom, hardened on-premises systems

DATA SHARING IS KEY FOR IMPROVED SERVICES, COMPLIANCE



DATA SHARING IS CHALLENGING

WHAT IF WE COULD CREATE A NEW ZONE OF TRUST?



DATA SHARING BUSINESS and GOVERNANCE MODEL INNOVATION

Trust Frameworks

Federated Identity to Verified Identity
Data transfer agreements to data sharing agreements
Static data security and privacy policies

Relationships

Who is the data trustee? Owner of data lake
Who needs to consume the data?

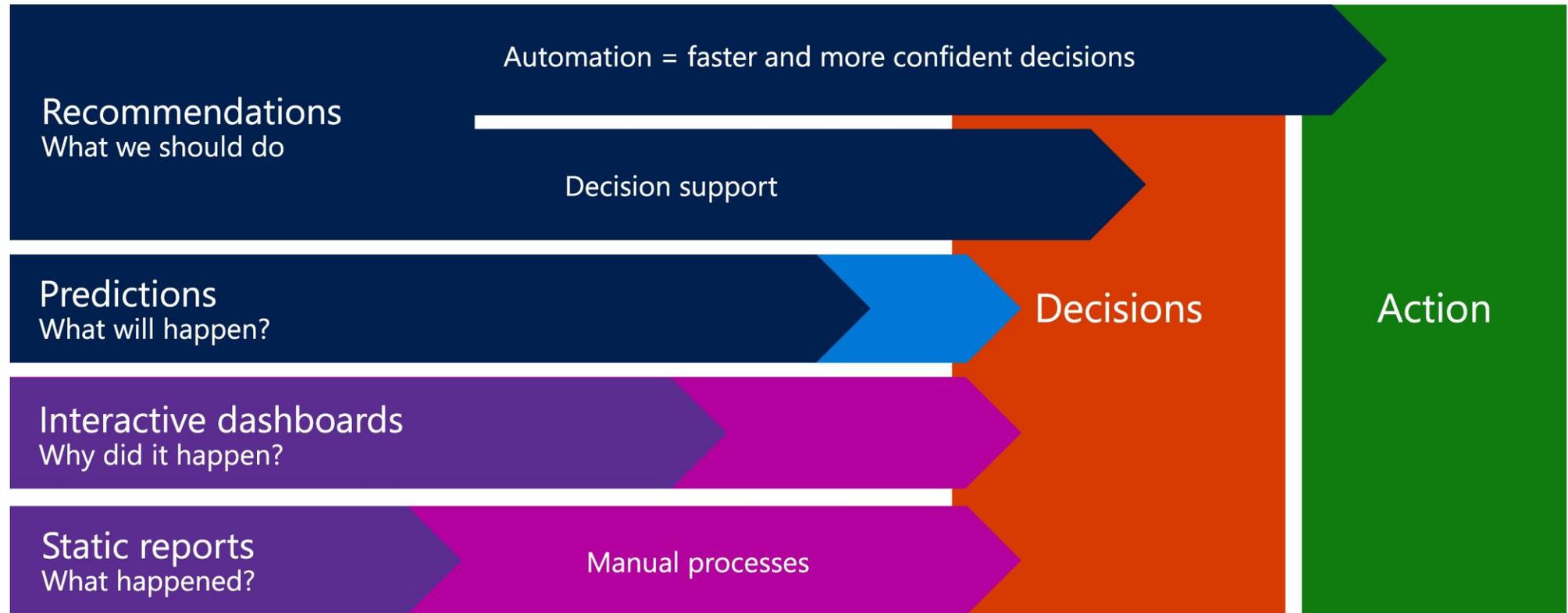
Cost model

Take into account the value of the data
Cost related to data consumption

From data to decisions and actions

Data will drive
\$1.6 Trillion in
additional value
for businesses

*IDC 2014



- - - - - Value - - - - - +

Amplifying human ingenuity with AI



Reasoning

Learn and form conclusions with imperfect data

- Big data compute to build a **360 view of the citizen** (structured, unstructured data)
- Machine learning to understand **taxpayer behavior** and define engagement strategy or **detect fraud and error**
- Machine learning to **predict impact** of tax system changes or of changes of economic context on tax collections
- Machine learning to improve **tax budget and forecast accuracy**



Understanding

Interpret meaning of data including text, voice, images

- **Invoice scans and tax forms analysis** to extract data and automate processes
- Image recognition for audit purpose in evaluating **citizen assets or life style**
- Voice recognition for a **modern omnichannel experience**
- **Real time translation** for multi language documentation/communication analysis



Interacting

Interact with people in natural ways

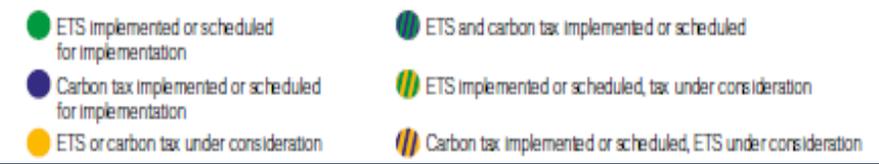
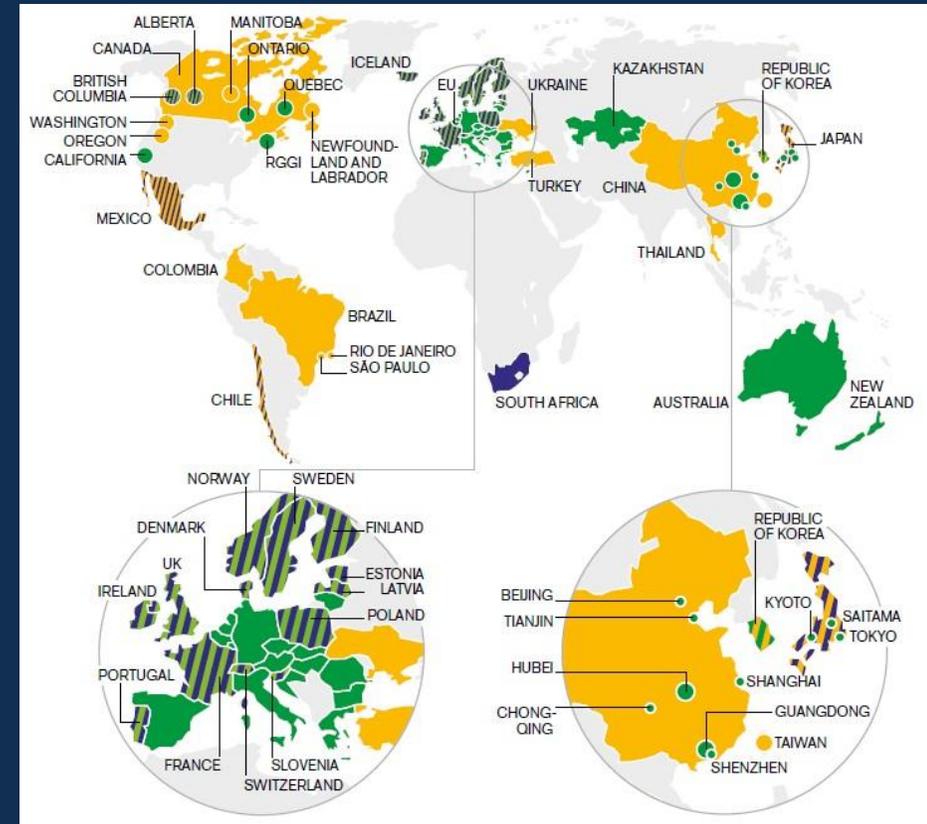
- **Virtual assistants/chatbots** to help taxpayer find information, submit forms or employees to stay up to date with their knowledge
- **Smart portals**, personalized information based on **cognitive services**
- **Prefilling** enabled by **AI and ML** as well as intelligent case management
- **Intelligent omnichannel** engagement based on the taxpayer profile segmentation enabled by AI

Internet of Things (IoT) & Tax

IoT is being leveraged for many applications in the Tax context, for example:

- efficient execution of a Carbon Tax: IoT sensors on cars will provide data to the Tax administrations on carbon emission, triggering specific levels of taxation.
- connect cash registers to Tax administrations providing data which help fight against VAT Fraud
- Sensors at gaz stations provide data to Tax Administrations on fuel distribution & consumption, helping fight against fuel theft in the distribution chain

Example of Countries implementing carbon tax:



Optimize tax compliance with SmartCloud

Goals Situations Roles Temporal Data

The dashboard includes sections for:

- Goals:** Promote a fair business environment, Discourage sales suppression, Monitor sales suppression, Look for new sales suppression patterns, Assess the return from investigative costs, Identify new tax evasion trends, Detect system anomalies, Determine if vendor is reporting sales reliably.
- Situations:** Taxi electronic sales suppression, POS-specific sales suppression, Non-specific sales suppression, Misallocation, Last call sales suppression, Geo-clusters, Device disconnected, Audit review efficiency, Audit revenue efficiency.
- Current Cases:**

CaseID	VendorName	Status	Auditor	Situation
C-169201	Don's Restaurant	Final review	Ralf Kaufmann	2
C-269817	Trioelectric Club	In progress	Alan Zang	3
C-320098	DoubleFaux	Flagged for review	Michael Jon	1
C-341479	Apzatec Mexican	In progress	Polla Ryzaev	9
C-438770	Silicon FaseOff Hockey Pub	In progress	Paul Taylor	8
C-465881	Flextrans Autobar	In progress	Paul Taylor	3

Define policy outcomes and business environment

SmartCloud TAX INTELLIGENCE 5/21/2017 6:00:00 AM

VendorName	Cash2Credit	4hr MA	First VSDC	Receipt Total	Cash_Sales
Apzatec Mexican	0.33	VSDC-010	\$2,058	\$517	
Bar Zap	0.63	VSDC-001	\$1,064	\$728	
Basedox Winery	0.38	VSDC-005	\$2,637	\$721	
Betalock Bar	0.17	VSDC-003	\$2,117	\$111	
BioCity Bar	0.10	VSDC-004	\$7,336	\$696	
Daffax Wine Bar	0.42	VSDC-005	\$4,553	\$1,358	
Dairy Dex Pub	0.70	VSDC-007	\$1,573	\$647	
Don's Restaurant	0.25	VSDC-004	\$1,561	\$131	

Non-compliance Cash/Credit by VSDC Cash and Credit Sales by VSDC

Analyze data to optimize compliance and policy activities

CASE: 3572

Execute policy and investigate compliance concerns

Execute policy and investigate compliance concerns

Blockchain, Bitcoin & Tax

A few scenarios that can be enhanced by Blockchain:

- Compliance reporting
- Anti money laundering
- Deal origination
- Trading, Trade reporting & risk visualizations
- Claim filings, Claims processing & admin
- Fraud prediction
- Licensing & identification
- Multifactor Auth
- Tax filing & collection

Bank of America leverages Blockchain on Microsoft Azure to reduce processing time of Trade Finance - Standby Letter of Credit from 5 weeks to 3 days.

Financial institutions estimated investments a **1M\$** in blockchain projects in 2017 (Infosys and Let's Talk Payments global report)

Avalara, an American global provider of tax compliance automation introduced in 2016 a bitcoin module for its AvaTax compliance engine, which enables calculation and accounting of sales tax for bitcoin transactions. The tool accurately tracks, manages and reports transactions that use virtual currency, allowing legitimate, tax-paying organizations to comply with the taxing jurisdictions.

Growth in the global Blockchain technology market

2016

\$210.2M (USD)



2021

\$2,312.5M (USD)

Empowering Organizations

with Digital Transformation
Strong Foundation

Solid Strategy:



Cloud



Data



Security



THANK YOU!

Q&A

vaion@microsoft.com

PRACTICAL SOLUTIONS TO IMPROVE WITHHOLDING TAX PROCEDURES IN EUROPE

Eelco van der Enden

Tax Policy Group, Accountancy Europe

Niels Krook

Principal Tax Counsel, PGGM

#withoutholdingtax



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PENSIONS  EUROPE

EU Tax Register for pension institutions

To solve withholding tax barriers for pension institutions regarding cross-border investments within the EU

May 8, 2019

Niels Krook – Principal Tax Counsel PGGM Investments



Introduction

- Pension institutions play a key social role in channeling retirement savings within the EU
- Investing of pension contributions is necessary to support the financing of retirement income
- EU Pension institutions invest across the EU as long term investors to diversify their country risk and increase their risk-adjusted return on investments
- We welcome the European Commission's ("EC's") Code of Conduct on Withholding Tax Procedures within the European Union ("Code") and the development of best practices

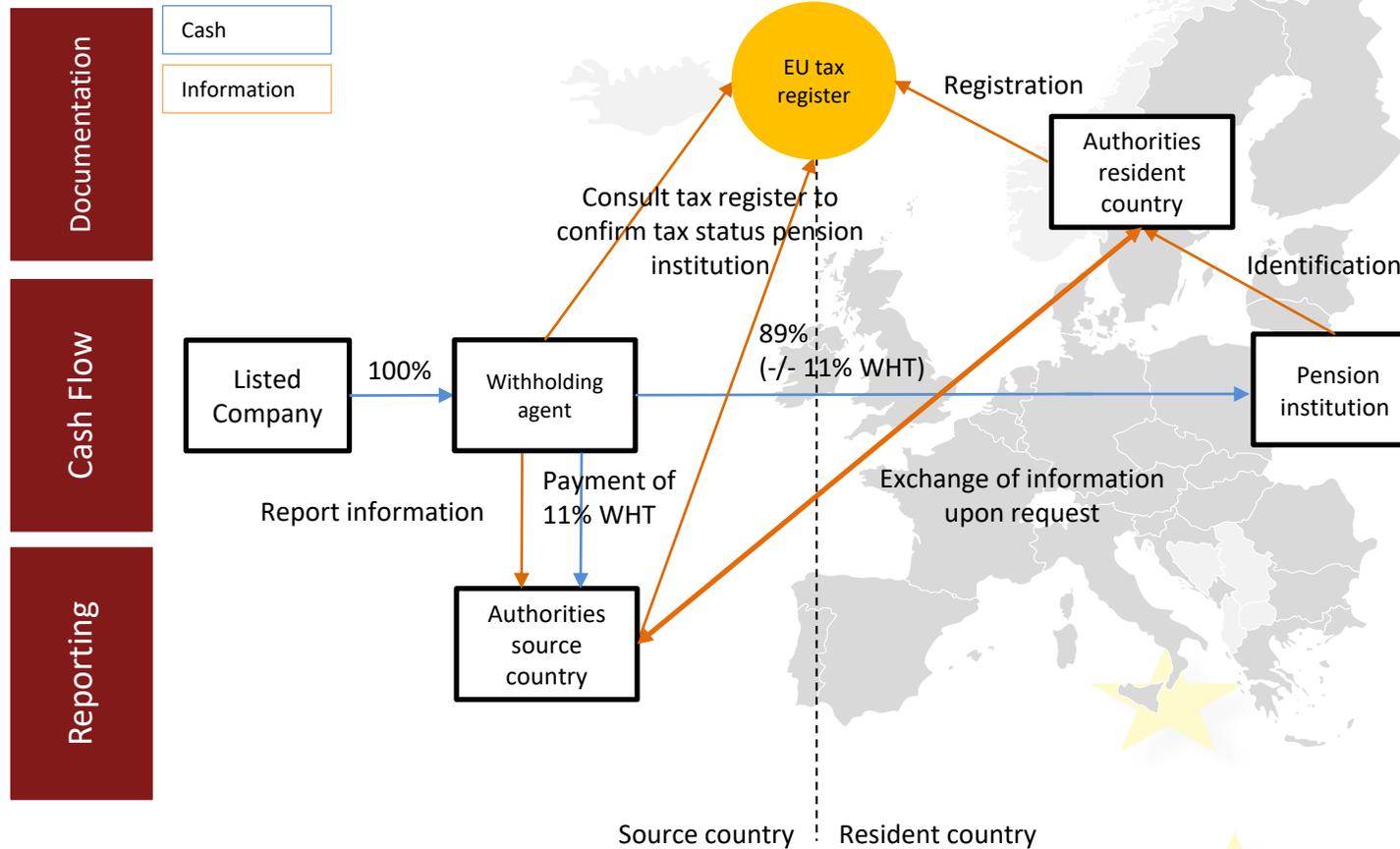


EU tax register for pension institutions

- Relevant tax information of the pension institution is maintained in the register.
- The pension institution's WHT status is identified and registered in advance.
- The withholding agent could easily retrieve this data and should rely on this to apply the appropriate WHT relief and report this investor specific information to the source country.
- The tax authorities of the source country should also have access to the register to verify the data and could (upon request) exchange information with the resident country.
- To harmonise WHT treatment of pension funds the EU can make use of the work that is performed by the OECD on developing a definition of a "recognized pension fund" to ensure proper treaty entitlement. A EU pension institution who meets the OECD pension fund definition should in principle qualify.

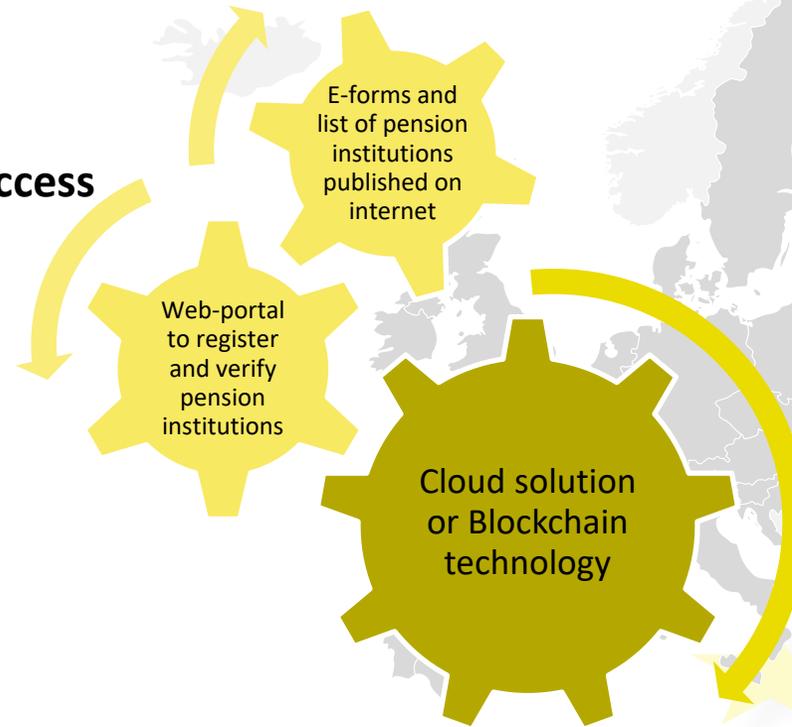


Example of EU tax register



Implementation and technology

Pan-European easy to access platform for sharing data would be key!



Benefits EU tax register

- acknowledging each other's pension institutions for tax purposes through **mutual recognition** between Member States (reciprocity);
- A more holistic approach through introducing a **single/uniform definition** of what a recognized pension institution is for tax purposes (domestic law and tax treaty) between Member States of the EU;
- introduction of EU-wide standardized evidence for investors with a recognized pension institution status, whereby the use of **tax forms and supporting evidence is minimized** and therefore the operational burden and costs are reduced;
- providing **ex ante tax certainty** for both pension institutions, when making investments, and Member States' tax authorities on the tax status of the investor;
- **Secure proper compliance** and thus supporting Members States' right to collect a fair share of taxes;
- **It could facilitate a EU-wide relief at source method** for pension institutions.



Discussion

- Commitment EC and Member States?
- (Existing) technology opportunities to support this initiative?
- To further explore and develop the EU tax register concept we propose to establish an expert group consisting of (tax) experts from:
 - 1) the pension institution representatives;
 - 2) Member State authorities; and
 - 3) providers of IT solutions.
- In many countries pension institutions invest cross border via specialized investments funds and/or vehicles to benefit from economies of scale, and it is important to ensure a WHT-neutral treatment of these investment structures as well (e.g. UCITS funds are considered tax residents for WHT purposes).



DISCUSSION



CLOSING REMARKS



NETWORKING LUNCH

13:00 – 14:00



**THANK YOU
FOR YOUR
PARTICIPATION!**



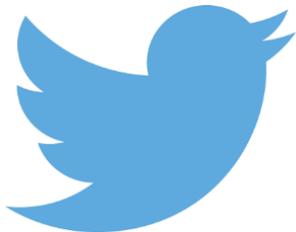
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