European Commission - Press release

Fair Taxation: Commission welcomes new rules to resolve tax disputes

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The European Commission welcomes EU Member States' formal green light for new rules to better resolve tax disputes. The decision taken by EU finance ministers at the ECOFIN Council meeting in Luxembourg today will ensure that businesses and citizens can resolve disputes related to the interpretation of tax treaties more swiftly and effectively. It will also cover issues related to double taxation - a major obstacle for businesses, creating uncertainty, unnecessary costs and cash-flow problems.

Double taxation refers to cases where two or more countries claim the right to tax the same income or profits of a company or person. It can occur, for example, due to a mismatch in national rules or different interpretations of a bilateral tax treaty with regards transfer pricing arrangements.

Pierre **Moscovici**, Commissioner for Economic and Financial Affairs, Taxation and Customs, said: *"We proposed this new system to improve legal certainty and EU competitiveness by creating a binding obligation on Member States' authorities to resolve tax disputes in a timely manner. This is an important step to allow EU citizens and businesses alike to have fair tax treatment. I commend the quick action of Member States and the European Parliament to support this upgrade of the current rules.*"

The improvements to the current rules agreed by EU finance ministers in Luxembourg will give taxpayers much more certainty when it comes to seeking resolution to their interpretation of tax treaties or double taxation problems. In particular, a wider range of cases will be covered and Member States will now have clear deadlines to agree on a binding solution, giving citizens and companies more timely decisions. Member States will now have a legal duty to take conclusive and enforceable decisions under the improved dispute resolution mechanism. If not, the national courts will do this for them.

Today's agreement will ensure that taxpayers faced with tax treaty disputes can initiate a procedure whereby the Member States in question must try to resolve the dispute amicably within two years. If at the end of this period, no solution has been found, the Member States must set up an Advisory Commission to arbitrate. If Member States fail to do this, the taxpayer can bring an action before the national court to do so. This Advisory Commission will be comprised of 3 independent members and representatives of the competent authorities in question. It will have 6 months to deliver a final, binding decision. This decision will be immediately enforceable and must resolve the dispute.

Estimates show that there are currently around 900 double taxation disputes in the EU today, estimated to be worth €10.5 billion. The new rules formally adopted today will better meet the needs of businesses and citizens and any double taxation will be removed.

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