

What to expect in terms of EU tax law and policy from the second half of 2024 (and beyond)

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1. Introduction

While July and August mark summer holidays for Member States, EU institutions are not standing still. From 6 to 9 June 2024, EU citizens voted the Members of the European Parliament (MEPs). The 720 newly elected MEPs will resume existing work on different tax files and pursue actions according to new priorities. The new MEPs will vote to approve the European Commission President and therefore also influence the Commission's tax agenda for the next 5 years.

The Court of Justice of the European Union (ECJ) is currently undergoing reform plans that will influence the future of ECJ case law.

In the aftermath of European Parliament elections, at the onset of the Hungarian presidency of the Council of the European Union and in the middle of the ECJ reform, (tax) conversations have shifted to forecasting how institutional changes will shape the future of EU tax law and policy.

This note will zoom in on some recently published official documents and try to identify future trends in EU tax law and policy in light of the recent institutional changes. Additionally, the note provides a brief update on the VAT in the Digital Age (ViDA) legislative package and offers predictions on its future. For an update on the EU direct tax initiatives, see the ETF on [The "lost but not found" initiatives' club: Unshell and others](#).

2. Hungarian Presidency of the Council of the European Union

Hungary will hold the Presidency of the Council of the European Union from 1 July until 31 December 2024. The Presidency's [programme](#) setting out its term's priorities and directions does not provide specific details on plans for tax dossiers (besides the objective of effectively advancing the discussions on the files currently on the agenda) but highlights as high priorities the fight against tax evasion, ensuring legal certainty for taxpayers and supporting the international engagement of the European Union.

The programme also emphasizes the intention to enhance the tax-related competitiveness of EU businesses through digitalization, the efficient use of information and simplification.

Even though the programme mentions little in the way of taxation, the [report on tax issues](#) published by ECOFIN in June 2024 and providing an overview of the progress achieved in the Council during the term of the Belgian Presidency gives more details on the priorities for the next legislative cycle as discussed by the High Level Working Party on Tax Questions (HLWP). In the context of the objectives of fighting tax avoidance and tax evasion and making taxation simple and effective, thus limiting administrative burdens, discussions welcomed “initiatives to declutter existing EU legislation and administrative procedures”. The report calls on work to address overlaps between different pieces of EU tax legislation/initiatives, e.g. [BEFIT](#) and the [Minimum Taxation Directive](#). The need to lower administrative burdens and to leave sufficient time for Member States to transpose new legislation was underlined. Delegations emphasized that Member States should focus on implementation of adopted legislation and complete work on the current tax initiatives prior to launching new tax directives.

3. European Commission – Tax Agenda and Concrete Actions

The [Annual Report on Taxation 2024](#) published by the European Commission presents an overview and in-depth analysis of the design and performance of Member States’ tax systems. The report also focuses on the contribution of tax systems to a competitive and prosperous EU economy (chapter 4 of the report). This is very timely, as a prosperous and competitive Europe is one of the strategic objectives recently [agreed](#) by the European Council for 2024-2029: “Hence, strengthening administrative cooperation, exchange of information, the adoption and implementation of the two-pillar solution and the UN tax process are crucial to deliver stronger tax systems.”

The report notes that the future performance of the EU economy is challenged by population aging, digitalization, climate change and geopolitical shifts. In this context, preserving European competitiveness and prosperity is identified as a top priority on the EU policy agenda. The report studies the connection between taxation and competitiveness and concludes that taxation can be a tool to support competitiveness, as long as a balance is found between generating proper revenue and fostering a favourable environment for businesses to thrive.

The report also focuses on labour taxation and the trend towards remote working, which makes taxation of employees more complex (see also [A Framework for Taxation of Telework Income in the European Union: How Late?](#)). Labour taxation shapes labour market performance, which determines competitiveness and sustainable growth. The report notes the consensus on the need to shift the tax burden away from labour to consumption, which could help in addressing the challenges raised by labour shortages and the need to ensure sustainable public finances. Appropriate design of tax and social benefits (with attention to their distributional impact) can help encourage labour market participation.

The report also promotes simplification and the reduction of single market barriers while reinforcing tax compliance and strengthening the level playing field.

In terms of concrete actions of the European Commission with an impact on the future tax agenda, there are initiatives to evaluate and negotiate existing directives and to reinforce work on tax good governance.

On 7 May 2024, the European Commission launched a targeted consultation to monitor the actual functioning of the [Directive on Administrative Cooperation \(2011/16\) \(DAC\)](#) and its amendments ([DAC2](#), [DAC3](#), [DAC4](#), [DAC5](#) and [DAC6](#)). The key objectives are to evaluate whether DAC is still relevant in its scope and purpose, and whether it is effective in providing the desired outcomes and impact. The outcome of this consultation will be used as input for a report to the European Parliament and Council scheduled for the end of 2024.

Plans for expanding the scope of DAC to include exchange of information related to the Minimum Taxation Directive (Pillar Two) are currently being discussed by the European Commission, and an initiative in this respect is anticipated.

On 12 March 2024, the European Commission [launched](#) a targeted consultation to monitor the actual functioning of the [Tax Dispute Resolution Mechanism Directive](#). The feedback gathered will be used for the purposes of drafting a report with respect to the actual results of the directive after its first years of implementation.

On 10 June 2024, the European Commission opened a [call for applications](#) to select members for the “Platform for Tax Good Governance”, an expert group intended to provide advice and assistance in the field of tax good governance and facilitate the exchange of experiences, good practices and views from stakeholders. The “Platform for Tax Good Governance, Aggressive Tax Planning and Double Taxation” was set up in 2013 to review progress on a range of measures, including [measures to encourage third countries to apply minimum standards of tax good governance](#). The Commission considers it necessary to continue such work, but in the form of a new expert group, with revised tasks to reflect on developments in the tax transparency and fair taxation agenda.

4. An Update on ViDA

The ViDA legislative package, proposed by the European Commission on 8 December 2022, has its origin in the Commission’s action plan for fair and simple taxation developed in 2020. The ViDA legislative package is based on three pillars: (i) digital reporting requirements; (ii) the VAT treatment of the platform economy (to consider platforms as deemed suppliers); and (iii) single VAT registration and the Import One Stop Shop (IOSS). It intends to amend Directive 2006/112 (the [VAT Directive](#)), [Council Regulation 904/2010](#) as regards the VAT administrative cooperation arrangements needed for the digital age and [Council Implementing Regulation 282/2011](#) as regards information requirements for certain VAT schemes.

The ViDA legislative package was originally planned to be approved by ECOFIN by the end of 2023. However, its approval was postponed, and on 21 June 2024, ECOFIN held a meeting in which one of the main topics was seeking to reach a political agreement on the ViDA legislative package. Unfortunately, unanimity was not reached, as one Member State (Estonia) did not consent to the terms established for the second pillar, which relates to the platform economy. ECOFIN has scheduled another meeting for 16 July, but, alas, the ViDA legislative package has not been included in the agenda. Expectations remain positive for the legislative package to be approved during 2024, which would mean that the implementation of the package would occur in 2027 at the earliest.

5. Reform of the Statute of the Court of Justice of the European Union

In December 2022, the ECJ submitted a proposal to [amend Protocol No. 3 of its Statute](#). The European Parliament adopted the proposal in February 2024, the Council of the European Union signed it off in March 2024, and the [final act](#) was signed in April 2024. The amendment entails the transfer of jurisdiction in respect of preliminary rulings from the Court of Justice to the General Court on the following topics: (i) VAT; (ii) excise duties; (iii) the customs code; (iv) the tariff classification of goods under the combined nomenclature; (v) compensation and assistance for passengers whose transport services are delayed or cancelled or who are denied boarding; and (vi) the scheme for greenhouse gas emission allowance trading.

To ensure that the preliminary rulings workflow is carried out in a manner as close as possible to the current process and to reduce the possible loss of consistency when interpreting EU law, some procedural measures are being considered. Amongst these is the Court of Justice functioning as a one-stop shop for case allocation, as it will remain the sole recipient of all incoming preliminary references; the creation of specialized chambers,

presumably at least two, composed of five judges each; the election of two judges to act as Advocates General in preliminary procedures, with a rotation every 3 or 6 years; the creation of an intermediate Mini Grand Chamber (between the chambers composed of 5 judges and the Grand Chamber, composed of 15 judges) for specific cases that require more attention and with the possibility to refer back to the ECJ those cases in which the decision would likely affect or pose a serious risk to the unity or consistency of the EU law.

In terms of next steps, it is necessary to modify the Rules of Procedure of the Court of Justice and of the General Court, the amendments of which have been submitted to the Council and are currently under examination. The publication of the Regulation amending Protocol No. 3 on the Statute of the Court of Justice and of the amended Rules of Procedure of the Court of Justice and of the General Court is expected to be coordinated, so all three texts can enter into force at the same time. There is no date expected for this publication to take place.

6. Conclusions

The recent structural changes in the EU institutions are shaping the future of EU tax law and policy.

According to provisional European Parliament elections results, the European People's Party Group (Christian Democrats) (EPP Group) emerged as the largest group. The new formation might favour an EU tax policy oriented more towards national interests.

The documents reviewed for this note consistently display objectives of tax simplification, decluttering of tax legislation and solving overlapping issues, but also enhancing tax transparency, administrative cooperation and fighting tax evasion. All this while reinforcing a competitive Europe as one of the strategic objectives for the coming 5 years. EU tax policy and EU competitiveness will therefore be closely linked in the future, with the coming 5 years showing how enhancing competitiveness will translate into EU tax policy.

Considering the identified trends in EU tax law and policy, but also contemplating additional factors such as the coming US elections and their impact on EU taxation and the UN Forum's work on adding an extra dimension to the international tax discussion, it is clear that, while there might be a slowing down in issuing EU tax initiatives and a desire for tax simplification, EU institutions (in their current format) will keep complex tax conversations going.

IBFD references

- For an overview of legislative initiatives at the EU level on direct tax matters from the moment they are planned by the European Commission until their adoption by the Council of the European Union, see the [EU Direct Tax Law Initiatives Tax Dossier](#).
- EU tax law developments are reported in the daily IBFD [Tax News Service](#).