



IAFEI INVITATION BY THE EU COMMISSION TO PARTICIPATE  
TO THE PUBLIC CONSULTATION ON IMPROVING

## DOUBLE TAXATION DISPUTE RESOLUTION MECHANISM AND ANSWER BY IAFEI INTERNATIONAL TAX COMMITTEE

by **PIERGIORGIO VALENTE**, Chairman IAFEI International Tax Committee  
and **EMILIO PAGANI**, Assistant to the IAFEI Chairman, May 15, 2016

On April 11, the IAFEI submitted its contribution to the EU Consultation on Improving Double Taxation Dispute Resolution Mechanisms launched by the EU Commission on February 16, 2016.

This contribution represents an important step to heighten the visibility of IAFEI at both, international and European levels, and have its voice heard by the main players of the international tax arena. This contribution follows other International Tax Committee's initiatives such as our previous contribution submitted on September 8, 2015 on the EU Public consultation on further corporate tax transparency, and is part of our Committee's International Tax Priorities for 2016 (i.e.: share IAFEI's opinion/position with regard to EU measures and latest developments in the tax policy area [i.e. EU Action Plan to tackle tax evasion and fraud; transparency and tax Avoidance packages; CCCTB]; assess and analyze potential implications and effects of the new tax framework for EU and Non-EU Companies and their CFOs). Our aim, within the Committee, is to reflect our Members' concerns, using our best endeavors to achieve a better, clearer and more efficient tax framework, for the benefit of all stakeholders.

In light of the above, IAFEI's International Tax Committee took the lead to prepare such contribution taking into consideration the significance of the topic for all players. Double Taxation is an authentic and cumbersome burden for our companies.

As such, it is of the utmost importance that present dispute resolution mechanisms be improved. The system as currently designed presents some inefficiencies and might create some disadvantages, hindering also investment opportunities and cross-border economic activity, while increasing compliance costs.

As we pointed out in our contribution, *"With the implementation of the new measures [set to counteract tax evasion and fraud], we foresee a potential increase of double taxation and on the number of tax disputes.*

*TRANSFER PRICING related disputes will also most likely increase as well. The current insufficiency of dispute reso-*

*lution mechanisms is self-evident, and it often acts as a deterrent for our foreign investment decisions".*

The consultation at issue is part of the EU scheduled work within the Action Plan for a Fair and efficient Corporate tax system, released back in June 2015, and it was drawn up with the aim of gathering stakeholders' contributions on:

- a) the need and importance of removing double taxation for companies carrying out cross-border activities;
- b) the effectiveness of existing tools to solve double taxation within the European Union;
- c) ways of improving such mechanisms.

This EU initiative is to ensure a coordinated EU approach to dispute resolution among Member States, through a clearer framework that includes more stringent timelines. The EU proposal is to build on the systems already in place and to find efficient ways of strengthening the enforcement of such mechanisms while improving efficiency. We, within the International Tax Committee, stressed the need to ensure that:

- existing mechanisms are actually able to solve double taxation since they are in our opinion insufficient as far as scope, enforceability and efficiency are concerned
- double taxation be effectively removed
- the mechanisms under EU Tax treaties network be reviewed accordingly (mandatory binding arbitration should be ensured)
- the need of ensuring a timely resolution.

Furthermore, we emphasized that *"for CFOs, it is of the utmost importance ensuring the taxpayer's involvement within the procedure. Further transparency is desirable, as well as timely updates and reports to taxpayers involved. We need efficient and clear tools to eliminate/resolve double taxation; as well as the assurance of timely corresponding adjustments".*

We hope that the other important IAFEI Technical Committees be able to operate this way because our Association needs to be better known in the international contest.