[Corporate tax avoidance: Agreement reached on tax intermediaries]

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On 13 March 2018, the Council reached agreement on a proposal aimed at boosting transparency in order to tackle aggressive cross-border **tax planning**.

The draft directive is the latest of a number of measures designed to prevent corporate tax avoidance.

It will require intermediaries such as **tax advisors, accountants and lawyers** that design and/or promote tax planning schemes to report schemes that are considered potentially aggressive.

The member states will be required to automatically exchange the information they receive through a **centralised database**. This will enable new risks of tax avoidance to be determined earlier and measures to be taken to block harmful arrangements.

Member states will be obliged to impose **penalties** on intermediaries that do not comply with the transparency measures.

“Enhancing transparency is key to our strategy to combat tax avoidance and tax evasion”, said Vladislav Goranov, minister for finance of Bulgaria, which currently holds the Council presidency. “If the authorities receive information about aggressive tax planning schemes before they are implemented, they will be able to **close down loopholes** before revenue is lost.”

Member states find it increasingly difficult to protect their tax bases from erosion, as cross-border tax planning structures become ever more sophisticated. The draft directive is aimed at preventing aggressive tax planning by enabling increased scrutiny of the activities of tax intermediaries.

The draft directive establishes ‘hallmarks’ to identify the types of schemes to be reported to the tax authorities. The requirement to report a scheme won’t imply that it is harmful, only that it may be of interest to tax authorities for further scrutiny. Whilst many schemes have entirely legitimate purposes, the aim is to identify those that do not.

The proposal broadly reflects action 12 of the **OECD**'s 2013 action plan to prevent tax base erosion and profit shifting.

Agreement was reached at a meeting of the Economic and Financial Affairs Council. The Council will adopt the directive without further discussion once the text has been finalised in all official languages.

Member States will have until 31 December 2019 to transpose it into national laws and regulations.

The new reporting requirements will apply **from 1 July 2020**. Member states will be obliged to exchange information every three months, within one month from the end of the quarter in which the information was filed. The first automatic exchange of information will thus be completed by 31 October 2020.

The directive requires unanimity within the Council, after consulting the European Parliament. The Parliament voted its opinion on 1 March 2018. (Legal basis: articles 113 and 115 of the Treaty on the Functioning of the European Union.)

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