

DIGITALEUROPE Position on ‘Fair Taxation of the Digital Economy’: Executive Summary

Brussels, 18 June 2018

1. Key Principles

1.1. We embrace this quote from the G7 communiqué on 11 June 2018: “We are committed to work together to seek a consensus-based solution by 2020. We will exchange approaches and support international efforts to deliver fair, progressive, effective and efficient tax systems. We welcome the OECD interim report analysing the impact of digitalization of the economy on the international tax system.”

Indeed, DIGITALEUROPE fully supports OECD-led efforts on renewing tax systems to make them fit for the digital age. We are happy to foster European leadership in designing solutions that fit the global scale of the markets in the digital era.

- To review the appropriateness of the current international tax framework;
- Whether value creation from data should be recognized in allocation of taxing rights and receipts;
- To achieve global consensus and alignment of rules.

Ultimately, this should be a discussion about allocation of tax receipts rather than a greater overall tax burden on business.

The OECD is moving forward, the BEPS final report stands chances to be available in 2019 instead of 2020 as originally scheduled. **Unilateral measures are therefore unwarranted.**

1.2. **The digital economy should not and cannot be ring-fenced.** A separate set of rules will not promote the claimed goals of fairer, more effective and efficient taxation, tax certainty and better functioning of the (Digital) Single Market or even prevent tax avoidance.

1.3. To safeguard the principles of fairness and integrity in tax policy, any tax on the activities of corporations **should be linked to profit**, not revenues, and **should not result in double taxation** and not undermine the existing tax treaties.

2. In more detail

2.1. The **Digital Services Tax** is based on revenues. It is therefore:

- Regressive: Despite thresholds, it will hit SMEs and start-ups that have yet to make profits. Interestingly, on proposing ‘final technical measures to create a future-proof EU VAT system’ on 25 May 2018, the Commission blasted turnover taxes ‘which distorted competition and hindered the free movement of goods’;

- In breach of longstanding international corporate taxation principles: since revenues are targeted, double taxation is inevitable;
- Contagious: Governments outside the EU may borrow a leaf from this book and introduce a similar type of tax targeting European companies, as exemplified by measures contemplated in India.

2.2. While expected to inspire the EU's contribution to BEPS, the concept of **Digital Permanent Establishment** is only half-baked: it will hit a long list of digital services and therefore freeze innovation. The proposed construct is in essence:

- Way too broad: the list of eligible services is endless;
- Way too vague: the set of thresholds would hit also SMEs and kill innovation.

3. Having flagged the risks inherent to the European Commission's plans at a time when the digitization of the EU is about to take off thanks to carefully designed flagship policies such as the Digital Single Market strategy, we also want to **extend a helping hand** to those tax authorities that are keen to get a better grasp of what it takes to do global business in the digital era. We are more than happy to **help design solutions likely to set European industry on a safe pathway to global success.**

--

For more information please contact:
 Patrice Chazerand, DIGITALEUROPE's Policy Director
 +32 2 476 56 33 93 or patrice.chazerand@digitaleurope.org

ABOUT DIGITALEUROPE

DIGITALEUROPE represents the digital technology industry in Europe. Our members include some of the world's largest IT, telecoms and consumer electronics companies and national associations from every part of Europe. DIGITALEUROPE wants European businesses and citizens to benefit fully from digital technologies and for Europe to grow, attract and sustain the world's best digital technology companies. DIGITALEUROPE ensures industry participation in the development and implementation of EU policies.

DIGITALEUROPE's members include in total over 35,000 ICT Companies in Europe represented by 63 Corporate Members and 39 National Trade Associations from across Europe. Our website provides further information on our recent news and activities: <http://www.digitaleurope.org>

DIGITALEUROPE MEMBERSHIP

Corporate Members

Adobe, Airbus, Amazon, AMD, Apple, Bosch, Bose, Brother, Canon, Cisco, Dell, Dropbox, Epson, Ericsson, Fujitsu, Google, Hewlett Packard Enterprise, Hitachi, HP Inc., Huawei, IBM, Intel, JVC Kenwood Group, Konica Minolta, Kyocera, Lenovo, Lexmark, LG Electronics, Loewe, MasterCard, Microsoft, Mitsubishi Electric Europe, Motorola Solutions, MSD Europe Inc., NEC, Nokia, Nvidia Ltd., Océ, Oki, Oracle, Panasonic Europe, Philips, Pioneer, Qualcomm, Ricoh Europe PLC, Samsung, SAP, SAS, Schneider Electric, Sharp Electronics, Siemens, Sony, Swatch Group, Tata Consultancy Services, Technicolor, Texas Instruments, Toshiba, TP Vision, VMware, Western Digital, Xerox, Zebra Technologies.

National Trade Associations

Austria: IOÖ	Germany: BITKOM, ZVEI	Slovenia: GZS
Belarus: INFOPARK	Greece: SEPE	Spain: AMETIC
Belgium: AGORIA	Hungary: IVSZ	Sweden: Foreningen Teknikföretagen i Sverige,
Bulgaria: BAIT	Ireland: TECHNOLOGY IRELAND	IT&Telekomföretagen
Croatia: Croatian Chamber of Economy	Italy: Anitec-Assinform	Switzerland: SWICO
Cyprus: CITEA	Lithuania: INFOBALT	Turkey: Digital Turkey Platform, ECID
Denmark: DI Digital, IT-BRANCHEN	Luxembourg: APSI	Ukraine: IT UKRAINE
Estonia: ITL	Netherlands: Nederland ICT, FIAR	United Kingdom: techUK
Finland: TIF	Poland: KIGEIT, PIIT, ZIPSEE	
France: AFNUM, Syntec Numérique, Tech in France	Portugal: AGEFE	
	Romania: ANIS, APDETIC	
	Slovakia: ITAS	