



Position Paper

18 December 2017

Contribution to the Commission Consultation on Fair Taxation of the Digital Economy

EUROCHAMBRES' MAIN HIGHLIGHTS :

- EUROCHAMBRES welcomes the attention the Commission has given to address the challenges related to the taxation of the Digital Economy. There is **need for action** to adapt the tax rules to the continuous developments of the ITC-based production and distribution of good and services. Ideally, these rules would be better formulated in **cooperation with international authorities**, in order to avoid the risk of double taxation. The Commission should legislate taking into consideration the tax framework established by the OECD or – even better – in cooperation with the OECD.
- Ensuring the **integrity and fairness of the Single Market** should be the main objective of the Commission's forthcoming legislative proposals on digital taxation. European companies must operate in a level playing field, where there are no unfair advantages for the ones operating cross-border and there is certainty about the tax obligations in other Member States.
- EUROCHAMBRES does not support the application of temporary measures to tackle the problems of the taxation of the digital economy, but rather urges the Commission to work on a **long-term and comprehensive solution**. From all the alternatives proposed, implementing new **EU rules for permanent establishment and profit attribution** to capture digital activities seems to be the most appropriate.
- If that is the way preferred by the Commission, a **digital tax** would most likely increase the tax burden and compliance costs for businesses, and not contribute significantly to create a level playing field, nor to increase competitiveness of EU digital companies.

Part 1 - Current problems

4.1 To what extent do you believe that the current international tax rules are adapted to the digital economy?

- To a great extent
 To some extent
 To a little extent
 Not at all
 Don't know

4.2 To which extent do you agree with the following statements?

Please mark with an X your choices

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
The current international taxation rules do not allow for fair competition between traditional and digital companies.			X			
The current situation could push some Member States toward adopting uncoordinated measures that would lead to the fragmentation of the Single Market.		X				
The current international taxation rules allow digital companies to benefit from certain tax regimes and push down their tax contributions.			X			
States are not able to collect taxes on the value that some digital companies create on their territory.			X			
Social fairness is impacted because some digital companies do not pay their fair share of taxes.			X			

4.3 Is there any need for action regarding the current international rules for the taxation of the digital economy?

- Yes
 No
 Don't know

4.4 What is the best level to address the current problems related to the taxation of the digital economy?
Please choose only one option

- International level
- European Union level
- National level
- Other (please specify)

4.5 Please specify

100 character(s) maximum

4.6 What are the 3 main taxation challenges that digitalisation brings for businesses? (Multiple choices possible)

at most 3 choice(s)

- Valuation of data / exploitation of data (i.e. quantifying how much the information that a company has about its clients is worth).
- Increased competition from global players.
- Uncertainty related to tax obligations when operating in different countries.
- Uncertainty related to future taxation solutions for new business models.
- Uncertainty on the exact allocation per jurisdiction of the business' value creation.
- Other (please specify)

4.7 Please specify

100 character(s) maximum

4.8 What are the 3 main challenges that digitalisation brings for national tax systems? (Multiple choices possible)

at most 3 choice(s)

- Companies can access customers in national markets without being effectively taxed in the market country.
- Businesses acquire new sources of revenue (e.g. through exploitation of data) which are not properly taxed.
- Unfair advantage of companies operating cross-border over local companies, due to lower taxation.
- Difficulties to establish the tax liability of a company due to the complex value chain.
- Other (please specify)

4.9 Please specify

100 character(s) maximum

4.10 The European Commission has identified a set of objectives that could be considered when designing future legislative proposals for the digital economy. In your opinion, which are the most important objectives that should be pursued?

Please rank with an X the objectives according to your preference, starting from the most important (1st place) to the least important (6th place)

	1st place	2nd place	3rd place	4th place	5th place
Integrity and proper functioning of the Single Market.	X				
Sustainability of the corporation tax system and the tax bases of EU Member States.				X	
Ensuring a level playing field so that all companies pay their fair share of taxes (whether large/small, more/less digitalised, EU/non-EU based).		X			
Ensuring a competitive tax environment in the EU for the scaling-up of start-ups and all business to flourish.			X		
Other, please specify					

4.11 Please specify

100 character(s) maximum

Part 2 - Possible solutions

5.1 The long term solution might take some time until it is implemented. Do you believe that a targeted, temporary solution should be adopted until a more comprehensive solution is reached?

- Yes
- No
- Don't know

5.2 Several targeted, temporary solutions have so far been identified. In case a two-step approach would be favoured, to what extent would each of these options solve the current problems related to the international taxation rules for the digital economy?

	To a great extent	Somehow	To a little extent	Not at all	I don't know
Tax on revenues from digital activities: Introduce a tax based on revenues generated from "digital activities".				X	
Withholding tax on certain types of digital transactions: Introduce a withholding tax based on payments to non-resident providers of goods/services ordered online.		X			
Tax on revenues from certain digital services: Introduce a tax based on the revenue from digital transactions concluded remotely with a non-resident entity that has a significant economic presence (e.g. revenue from the sale of online advertising).			X		
Digital transaction tax: Introduce a tax that applies early in the value creation process (collection of personal and other data).				X	
Other (please specify)					

5.3 Please specify

100 character(s) maximum

Our replies on this matter reflect our views if temporary solutions were to be adopted. A comprehensive, long-term solution remains preferable.

5.4 Several long term, comprehensive solutions have so far been identified. To what extent would each of these options solve the current problems related to the international taxation rules for the digital economy?

	To a great extent	Somehow	To a little extent	Not at all	I don't know
Modify the Common Consolidated Corporate Tax Base proposal: Implement new permanent establishment and profit attribution rules through modifications to the CCCTB proposal.			X		
"Digital presence in the EU" proposal: Implement new EU rules for permanent establishment and profit attribution to capture digital activities of businesses in a stand-alone EU Directive.		X			

Destination-based corporate tax: Introduce the destination-principle to corporate taxation, according to which the jurisdiction to tax is based on the location of the consumer.				X	
Unitary tax: Introduce a tax on a share of the world profit of digital companies which would be attributed to each country on the basis of the percentage of revenue earned in that country.			X		
Residence tax base with destination tax rate: Introduce a system where profits of a company are declared and taxed in the Member State of establishment (as is the case today), but the applicable rate is the turnover-weighted average of the tax rates of the countries where the turnover is generated.				X	
Other (please specify)					

5.5 Please specify

100 character(s) maximum

5.6 From a business perspective, if a digital tax were adopted, to what extent would you agree with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
It would increase legal certainty for businesses.				X		
It would improve the competitiveness of EU digital companies.				X		
It would level the playing field for businesses operating in the EU.		X				
It would allow more digital companies (start-ups, SMEs etc) to enter the digital market.			X			
It would increase the tax burden for businesses.		X				

It would increase the compliance costs for businesses.	X					
It would slow down the development of digital technologies in the EU.			X			

5.7 From the perspective of a tax administration, if a digital tax were adopted, to what extent would you agree with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
The revenue collected by each Member State would increase.						X
The revenue collected by some Member State would increase, the revenue collected by some other Member State would fall.						X
The administrative burden from collecting the tax would increase.						X
Tax disputes would increase.						X

5.8 Should Small and Medium Enterprises (SMEs) be exempt from a possible digital tax?

- Yes
- No
- Don't know

Further information: Mr. Esco Aguiar, Tel +32 2 282 08 88, aguiar@eurochambres.eu
Press contact: Mr. Luis Piselli, Tel +32 2 282 08 92, piselli@eurochambres.eu

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ASSOCIATION OF EUROPEAN CHAMBERS OF COMMERCE AND INDUSTRY
 Chamber House, Avenue des Arts, 19 A/D • B - 1000 Brussels • Belgium
 • Tel +32 2 282 08 50 • Fax +32 2 230 00 38 • eurochambres@eurochambres.eu • www.eurochambres.eu