

CONCLUSIONS ON THE TAXATION OF THE DIGITAL SECTOR

The Committee for European Affairs,

Having regard to Article 88-4 of the Constitution,

Having regard to Article 113 of the Treaty on the Functioning of the European Union,

Having regard to the Proposal for a Council directive on the common system of digital services tax on revenues resulting from the provision of certain digital services, COM (2018) 148 final,

Having regard to the Proposal for a Council directive laying down rules relating to the corporate taxation of a significant digital presence, COM (2018) 147 final,

Considering the need for fair and equitable taxation in all economic areas, including digital activities,

Considering the need for all corporate entities, benefiting from human infrastructure and competence financed by government authorities, to contribute their fair share to public finances,

Considering the inadequacy between the current methods of determining corporate taxation at both a national and European level, and the structure of numerous digital companies,

Considering the validity of the work carried out as part of the OECD's BEPS Action Plan (*Base Erosion and Profit*

Shifting) to take up the fiscal challenges posed by the digital economy,

Considering, however, that the work of the OECD will not be completed before 2020,

Considering the initiatives taken by EU Member States in order to tax the activities of digital businesses providing services to their citizens,

Considering the possible risks of the single market fragmenting under such initiatives, considering that an accumulation of national solutions would be a renunciation, resulting in the decelerated construction of Europe and a break in the political dynamic in motion until now,

Considering that tax at a European level, even if temporary, can help to fight against the competitive imbalance between companies engaged in aggressive tax optimisation and those who pay their fair share of taxes,

Considering that the European Union and Member States bear political responsibility within the Council for reaching an agreement on fair digital taxation, and that they must ensure the necessary collaboration between their administrations so as to implement such a taxation,

- *On the notion of a significant digital presence*

1. Supports the European Commission's definition of a significant digital presence, which would make it possible to permanently overcome the shortcomings related to the notion of permanent establishment, the corporate taxation regime is based on physical and material criteria unsuited to the functioning of the current digital economy,

2. Believes, therefore, that this notion could be adopted within the OECD's framework on tax-base erosion and profit shifting,

3. Believes, moreover, that the notion of a significant digital presence could contribute to the considerations for establishing a Common Consolidated Corporate Tax Base (CCCTB).

- *On a digital services tax*

4. Supports the European Commission's proposal to introduce a Digital Services Tax (DST),

5. Believes that this tax will apply in 2020 if, and only if, the OECD does not reach a consensus in this area,

6. Considers that this tax is in no way discriminatory, but rather intended to combat the competitive imbalance allowing certain multinational companies, by virtue of an aggressive tax optimisation policy, to strengthen their monopolistic situations,

7. Cautions that such a tax may however be affected quickly by the rapid evolution of digital technologies,

8. Considers that there are, at the very least, a number of improvements from which this tax project could benefit. In particular, a revision of the tax base in order to include economic activities providing online content as well as companies providing goods and services ordered via digital interfaces,

9. Considers that any form of double taxation that might burden honest corporate-tax payers should be avoided,

10. Considers, therefore, that to the only extent that this deduction does not contravene international tax treaties and therefore only concerns companies established on European Union territory, a deductibility mechanism for corporate tax, owed in the Member State of establishment, should be included in the directive.

- *On the taxation of digital activities*

11. Encourages the Government to establish an intelligent taxation of platforms, based on the information they must deliver on value creation and, therefore, the sharing of information between these platforms and tax administrations,

12. Encourages the Government to anticipate technological developments in the digital sector, and in particular the disintermediation of platforms through tools such as the *blockchain* to better determine what the tax base of these activities should be,

13. Believes that a digital services tax can only be an interim solution, pending the establishment of a truly harmonised European corporate tax system, and supports the work towards the forthcoming adoption of draft directives COM (2016) 683 final on a Common Consolidated Corporate Tax Base (CCCTB) and COM (2016) 685 final on a Common Corporate Tax Base.