Common system of a digital services tax on revenues resulting from the provision of certain digital services

2018/0073(CNS) - 05/12/2018 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Economic and Monetary Affairs adopted, in the framework of the consultation procedure, the report by Paul TANG (S&D, NL) on the proposal for a Council directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services.

The committee recommended that the European Parliament approve the Commission's proposal subject to the following amendments:

Objective: the proposed Directive seeks to establish the common system of a digital services tax (DST) on revenues resulting from the provision of certain digital services.

The report pointed out that, on average, digital businesses face an effective tax rate of only 9.5%, compared to 23.2% for traditional business models.

This system is not fair and it is important to **close the gap between the taxation of digital revenues and that of traditional revenues**. Members considered that a single DST rate at Union level constitutes a first step towards further harmonisation of corporate taxation at Union level.

Taxable products: Members proposed broadening the tax base by including in the scope of taxable revenue the supply of digital content such as **video, audio or text** using a digital interface. If no revenue is derived from the supply of such content, goods and services, there should be no DST liability.

Taxable person: an entity shall qualify as a taxable person only if only if it meets both of the following conditions: (i) the total amount of worldwide revenues reported by the entity for the latest complete financial year for which a financial statement is available exceeds **EUR 750 million** and (ii) the total amount of taxable revenues obtained by the entity within the Union during that financial year exceeds **EUR 40 million**.

The DST rate shall be set at **3%**.

An amendment clarifies that the **processing of personal data** in the context of DST shall be carried out in accordance with Regulation (EU) 2016/679, including data that may be necessary in relation to Internet Protocol (IP) addresses or other means of geolocation.

The Commission shall analyse whether the establishment of a **dispute resolution mechanism** would further increase the effectiveness and efficiency of the settlement of disagreements between Member States. The Commission shall submit a report thereon to the European Parliament and the Council, including, if appropriate, a legislative proposal.

Fight against fraud: Member States shall adopt measures, including **penalties and sanctions**, to prevent tax evasion, avoidance and abuse with respect to DST. Members considered that total digital service tax paid by a taxable person per Member State should be a part of the system of country-by-country reporting. In addition, in case a taxable person is liable to DST in more than one Member State, the Commission shall audit, every three years the DST return filed with the Member State of identification.

Automatic and mandatory exchange of information: in order for tax authorities to assess tax due properly and to ensure the proper and uniform implementation of this Directive, the exchange of information on tax matters shall be automatic and mandatory, as laid down by Council directive 2011/16 /EU. Member States shall report every year to the Commission relevant figures and information on the payment of the DST by entities.

Sunset clause conditional on permanent measures: since the DST is a temporary measure awaiting a permanent solution, Members proposed a sunset clause that would result in this Directive automatically expiring upon the establishment significant digital presence or the Common Consolidated Corporate Tax Base (CCCTB), including Parliament's position on the permanent digital establishment.

Two years after the date of entry into force of the Directive, the Commission shall make an assessment of the application of this Directive and present a report to the European Parliament and the Council, accompanied, where appropriate, by proposals for its review in accordance with the principles of fair taxation of the digital sector.