



## RESOLUTION:

### **Fair taxation of the Digital Economy**

*Adopted at the YEPP Council Meeting in Milan, 17.02.2018*

#### **Recognizing that:**

- According to the Vice-President of the European Commission Valdis Dombrovskis the Member States of the European Union miss out on an estimated €50 to 70 billion in revenue due to corporate tax avoidance.
- 90% of businesses in Europe are connected through digital services and the market share of online trade increases constantly.
- According to the 2017 OECD Digital Economy Outlook<sup>1</sup> seven of the world top ten exporters of ICT<sup>2</sup> services are located in Europe.
- The council of the EUs finance ministers already called for a form of digital taxation.
- On the 5th of December 2017 the Economic and Financial Affairs Council in its conclusions agreed on principles regarding the fair taxation of the Digital Economy and called for EU input to discussion at the international level on digital taxation.
- European Commission's decision on the 26th of October 2017 to challenge the UK's controlled foreign companies' rules as a breach of state aid rules.
- Angel Gurría (OECD Secretary General) declared that: "Unilateral measures would undermine the collective efforts undertaken, as well as the results achieved so far, collectively, in the G20."

#### **Acknowledging that:**

- The changing nature of MNCs operating in the ICT business and the requirement for tax law to evolve accordingly.
- The digitalization has an increasing impact on our economic infrastructure which is more beneficial to multinational companies than to SMEs. The European Commission recognizes this problem and set an initiative to provide support especially for small enterprises.<sup>3</sup>

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<sup>1</sup> [http://www.keepeek.com/Digital-Asset-Management/oced/science-and-technology/oced-digital-economy-outlook-2017/access-and-connectivity\\_9789264276284-6-en#page15](http://www.keepeek.com/Digital-Asset-Management/oced/science-and-technology/oced-digital-economy-outlook-2017/access-and-connectivity_9789264276284-6-en#page15)

<sup>2</sup> information and communication technologies

<sup>3</sup> [https://ec.europa.eu/growth/industry/policy/digital-transformation/smart-use-ict-smes\\_en](https://ec.europa.eu/growth/industry/policy/digital-transformation/smart-use-ict-smes_en)

- The fight against tax havens and tax avoidance is not only a national but a European and international problem which can only be solved through multilateral cooperation.
- Not fighting tax avoidance by multinational companies is a competitive distortion at the expense of SMEs.
- In late March, the European Commission will present its proposals to make internet companies pay higher taxes in the EU countries in which they operate.

**YEPP calls on:**

- The European Commission and the European Member States should act on the principle that profits are taxed where they are gained.
- The OECD, the European Commission and the Member States of the European Union to develop and install a form of fair profit taxation of the Digital Economy which is not based on the legal seat of the proprietary company but the geographic location where the added value was generated. This virtual permanent establishment guarantees that multinational ICT companies pay their fair share.
- Any framework to tax digital services should ensure that multiple taxation does not occur for services offered by multinational ICT companies.