ECOMMERCE EUROPE

The association representing 75,000+ companies selling goods and services online to consumers in Europe.

Factsheet - Taxation of the Digital Economy

Directive introducing a Digital Services Tax (DST) - COM(2018) 148 final

Concerns about the DST

Ecommerce Europe has always been favorable to a level playing field in the context of taxation, so that companies are taxed in a fair and non-discriminatory way. However, the European Commission's Proposal introducing a Digital Services Tax does not contribute to the creation of such a level playing find and will have far-reaching negative effects, if pursued by the EU Member States. From the perspective of Ecommerce Europe, the following elements should be borne in mind.

Any change in the basis of taxation should be done in a structural way and ideally pursued at a global level through the **OECD**, not separately by EU countries. We need to achieve a consistent global approach to avoid **double taxation** and any **damage to the multilateral order**, including **possible retaliatory measures** from third countries.

A more thorough **economic analysis of the impact of the DST** must be conducted. All discussions should be based on an informed and evidence-based debate.

Discrimination must be prevented. The **DST is ring-fencing certain digital activities** with no substantive justification, while leaving other activities out of its scope. This is not fair.

Any tax on the activities of companies should be **profit-based**, not revenue-based. The DST is based on revenues, thus even online merchants running losses would still have to pay for it.

EU merchants and, ultimately, consumers will bear the **economic burden of the DST**. While the declared target of the tax is large "digital" companies, the cost of the tax will inevitably flow down the supply chain, in the form of higher costs for SMEs and, consequently, consumers.

Protection of EU businesses must be ensured. The DST will inevitably put EU companies in a disadvantageous position compared to non-EU ones, because the EU Countries have no legal means to secure **enforceability of the tax against non-EU companies**.

Protection of growth, jobs and innovation in the EU must be a priority. European SMEs must be allowed to grow and innovate. The DST would disincentivize expansion of businesses and further investments, with **detrimental effects to EU competitiveness and job losses**.

The DST will impose **disproportionate administrative burdens** for companies, i.e. reporting obligations and bureaucratic requirements.

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Conclusion

Ecommerce Europe does not support the DST and calls on the leaders of the European Union to push in favor of international efforts at OECD level and end the discussions around the introduction of a unilateral EU Digital Services Tax. While not supporting the proposal, if the DST was pursued by the Member States, it should be made less problematic by ensuring that:

- The DST has safeguards that **take into account profitability** of companies and **is creditable against corporate income tax**, thus avoiding double taxation and protecting investment.
- It is in practice **enforceable against non-EU companies**, thus ensuring that EU businesses are not at a competitive disadvantage.
- An **explicit sunset clause** is included for the phase out of the measure, if it were ever to be introduced.

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