

# Tallinn Digital Summit

## Fair Taxation of the digital economy

23%

Effective tax burden  
for traditional companies

10%

Effective tax burden  
for digital companies  
(even before tax planning)

0%

The level of tax that can be  
achieved through aggressive  
cross-border tax planning

Over the past ten years, the market share of digital companies has increased more than seven-fold.



International tax rules were designed for the traditional economy, before the digital age.



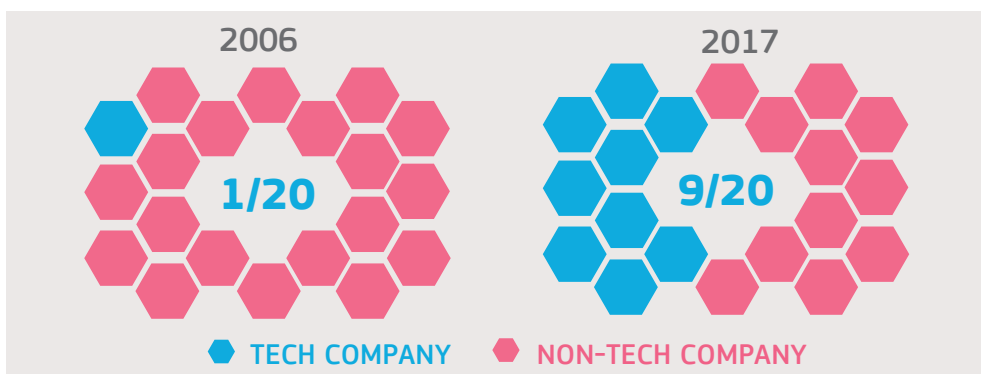
Member States need to ensure that fair taxation for the digital sector takes place so they can use these tax revenues.



Our brick-and-mortar companies need to be on a level and competitive playing field with digital players. This is currently not the case.



### TOP 20 COMPANIES GLOBALLY



Source: 'Global Top 100 Companies by market capitalisation' PWC (2017); Financial Times Global 500 database (2006)

## WE NEED TO RE-THINK

### WHERE TO TAX?


- Establish taxing rights where value is created without physical presence.

### WHAT TO TAX?

- Find a way to attribute profit between different locations.

### TRADITIONAL VERSUS DIGITAL - how companies are taxed

Cinema	Digital streaming provider
<ul style="list-style-type: none"><li>• An international cinema chain has six outlets in different EU capital cities.</li><li>• The chain owns real estate, a distribution centre and employs local staff in all six Member States.</li><li>• The activities of the business add up to a taxable presence in the EU.</li><li>• The business is subject to corporate tax on its profits in the EU.</li></ul>	<ul style="list-style-type: none"><li>• Customers located in the EU pay subscription fees to access video streaming services via an online platform.</li><li>• Although the revenue generated from the subscription fees comes from customers in the EU, the platform provider does not have a taxable presence in the EU under the current international tax framework.</li><li>• The business is not subject to corporate tax on the profits it makes in the EU.</li></ul>

- Recent reports and studies suggest that **billions are lost** because of the challenges we face in taxing digital companies. 
- On 21 September 2017, the European Commission put forward its plan for the **way ahead**.

### NEXT STEPS



The EU needs to agree an ambitious approach on taxing the digital economy **by spring next year**, ahead of a Commission legislative proposal. It needs to be fair, effective and competitive, mindful of future developments.

**If we stand still, it's our revenues and our budgets that will suffer.**

**It's time to act on #FairTaxation for the digital economy.**