



EUROPEAN COMMISSION

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C(2018) 6561 final*

Dear President,

The Commission would like to thank the Senát for its Opinion on the proposals for Council Directives on a fair and efficient taxation of the digital economy {COM(2018) 147 and COM(2018) 148 final}. It welcomes the positive approach taken by the Senát towards the proposal on a digital services tax on revenues resulting from the provision of certain digital services and takes note of its reserved position on the proposal which lays down the rules relating to the corporate taxation of a significant digital presence.

As regards the concerns of the Senát on the appropriate level of action and the call for cooperation with the relevant international organisations, the Commission would like to reassure the Senát of its preference for a comprehensive solution at global level and take the opportunity to stress its support and cooperation within the Organisation for Economic Cooperation and Development (OECD) and G20 framework.

The problems posed by the current corporate tax framework not keeping pace with the new features of the digital sector are not particular to a specific Member State, but constitute a common challenge for the European Union as a whole. In fact, such problems are of an international dimension because they are rooted in the international tax framework and concern cases where digital activities are performed cross-border. This is the reason why the Commission has always been clear that the preferred solution is an ambitious global one and strongly supports international work to achieve this.

The Commission considers that a common initiative across the internal market is required for a direct and harmonised application of the rules on a significant digital presence within the Union to ensure a level-playing field for all Member States and provide taxpayers with legal certainty. Unilateral and divergent approaches by each Member State could be ineffective and fragment the single market by creating national policy clashes, distortions and tax obstacles for businesses. If the objective is to adopt solutions that function for the internal market as a whole, the appropriate way forward is only through coordinated initiatives at Union level.

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Furthermore, a common and coordinated action at Union level to reform the corporate tax framework to cover the digital activities of companies is likely to take time. Member States may introduce unilateral interim measures to address the challenges of taxing the digital economy companies. Some of these measures, which can be of a very diverse nature, are already in place or are being planned by Member States. As explained in the impact assessment accompanying the proposal, these national experiences vary significantly, and it is unlikely that, without a certain degree of coordination, the different Member States concerned will follow a common approach. Uncoordinated national actions create complexity, contribute to distortions in the single market and enhance the risk of double taxation. In this respect, action at the level of the European Union is necessary in order to mitigate the fragmentation of the Single Market and the creation of distortions of competition within the Union which may result from such divergent unilateral actions at national level.

A European solution adds value compared to different national policies because it entails a reduction in the compliance burden for businesses subject to the new rules and also gives a strong sign to the international community as to the commitment of the European Union to act when it comes to ensuring the fair taxation of the digital economy. Moreover, common interim measures rather than divergent national ones will facilitate finding comprehensive solutions in the future.

The Commission hopes that these clarifications address the issues raised by the Senát and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Frans Timmermans
First Vice-President*

*Pierre Moscovici
Member of the Commission*