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Reasoned opinion regarding the Commission's proposed measures regarding taxation of the digital economy

9 May 2018

The European Affairs Committee of the Danish Parliament has examined the Commission's Proposal for a Council Directive laying down rules relating to the corporate taxation of a significant digital presence COM (2018) 0147 and its Proposal for a Council Directive on the common system of a digital services tax on revenues resulting from the provision of certain digital services COM (2018) 0148.

Ref. 18-000389-2

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A majority of the committee's members (representatives of the Danish People's Party, Liberal Party, Liberal Alliance and Conservative Party) believes that proposals of this kind are not compatible with the subsidiarity principle.

With regard to the issue of whether the Commission's proposals uphold the subsidiarity principle as it is laid down in Article 5 of the Treaty on the European Union, the majority questions the Commission's justification of why such measures can be achieved better at the European than at the national level. These parties believe that Denmark should insist on the principle that tax policies lie outside the EU remit.

A minority of the committee's members (the Social Democratic Party, Unity List, Alternative and Socialist People's Party) believe that the proposals in question are in line with the subsidiarity and proportionality principles.

Political statement

Members of the committee representing the Social Democratic Party, Alternative and Socialist People's Party note that the digital companies, despite generating profits running to billions, pay astonishingly little tax. For example, a previous committee response revealed that 25 of the largest companies pay only DKK 109 million corporate tax to Denmark. This is no more than the corporate tax paid by a single company, e.g. Aalborg Portland. We find ourselves in a situation in which, although subject to the same tax legislative requirements, companies are in practice treated differently depending on whether

they chose to establish themselves as companies whose primary sphere of activity is digital or not. This anomaly is due to the fact that corporate tax legislation, the basic principles of which are almost 100 years old, does not adequately encompass the values generated in our increasingly digital era. On this basis, the Social Democratic Party, Alternative and Socialist People's Party believe that there is every good reason to look for new ways of levying tax on the digitised economy.

Moreover, the Social Democratic Party, Alternative and Socialist People's Party share the Commission's assessment that a common initiative throughout the internal market is required to ensure that the regulations regarding significant digital presence are applied directly by and harmonised in the European Union with a view to securing not only fair conditions for all the Member States but also taxpayers' legal certainty. It is therefore not realistic to expect individual Member States to resolve the fiscal challenges presented by steadily increasing digitisation of the economy.

Finally, the Social Democratic Party, Alternative and Socialist People's Party agree with the central principle in the proposal, i.e. that, if the digital economy is to be taxed more fairly, taxation should, to some extent, be shifted from profit to turnover.

The committee members who represent the Unity List note that they wish to see existing tax instruments modernised with regard to the digital economy, including measures regarding permanent domicile, so that they take developments in the digital economy into account. The Unity List is therefore essentially positive about initiatives taken in this direction, including those under the auspices of the OECD and EU. The Unity List believes that it is possible to develop a model for taxation of the digital economy that conforms with the subsidiarity principle but that this is ultimately a matter they wish to address in the light of the specific model adopted. For the Unity List, it is imperative that the solution does not create an EU tax yielded to the EU, but digital tax revenues that will be paid into individual Member States' coffers. The Unity List has yet to address separate aspects of these proposals in detail. However, the Unity List essentially believes that these two proposals do not contravene the subsidiarity principle.

Yours sincerely,



Erik Christensen
Chairman, The European Affairs Committee of the Danish Parliament