

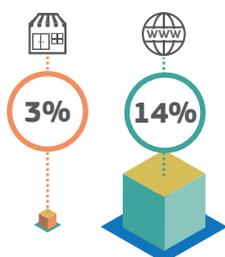
Fair Taxation for the Digital Economy

Why do we need to update the rules?
Because our societies deserve:

- ✓ **Tax fairness**
A level playing field for all businesses
- ✓ **A competitive economy**
Supporting business growth and innovation
- ✓ **Sustainable tax revenues**
A future-proofed solution

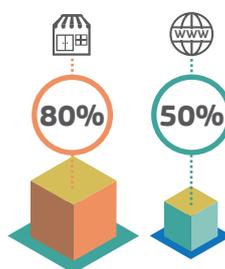


THE DIGITAL ECONOMY Key facts



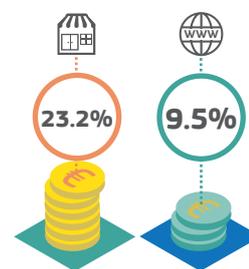
Digital companies are growing fast

Average annual revenue growth of the top digital firms is **14%** compared to between **0.2%** and **3%** for other multinationals.



Digital companies rely less on physical presence

Only **50%** of the affiliates of digital multinationals are foreign based, compared to **80%** for traditional multinationals.



Digital companies pay lower tax rates

Companies with digital business models pay on average **half the effective tax rate** of companies with traditional business models.

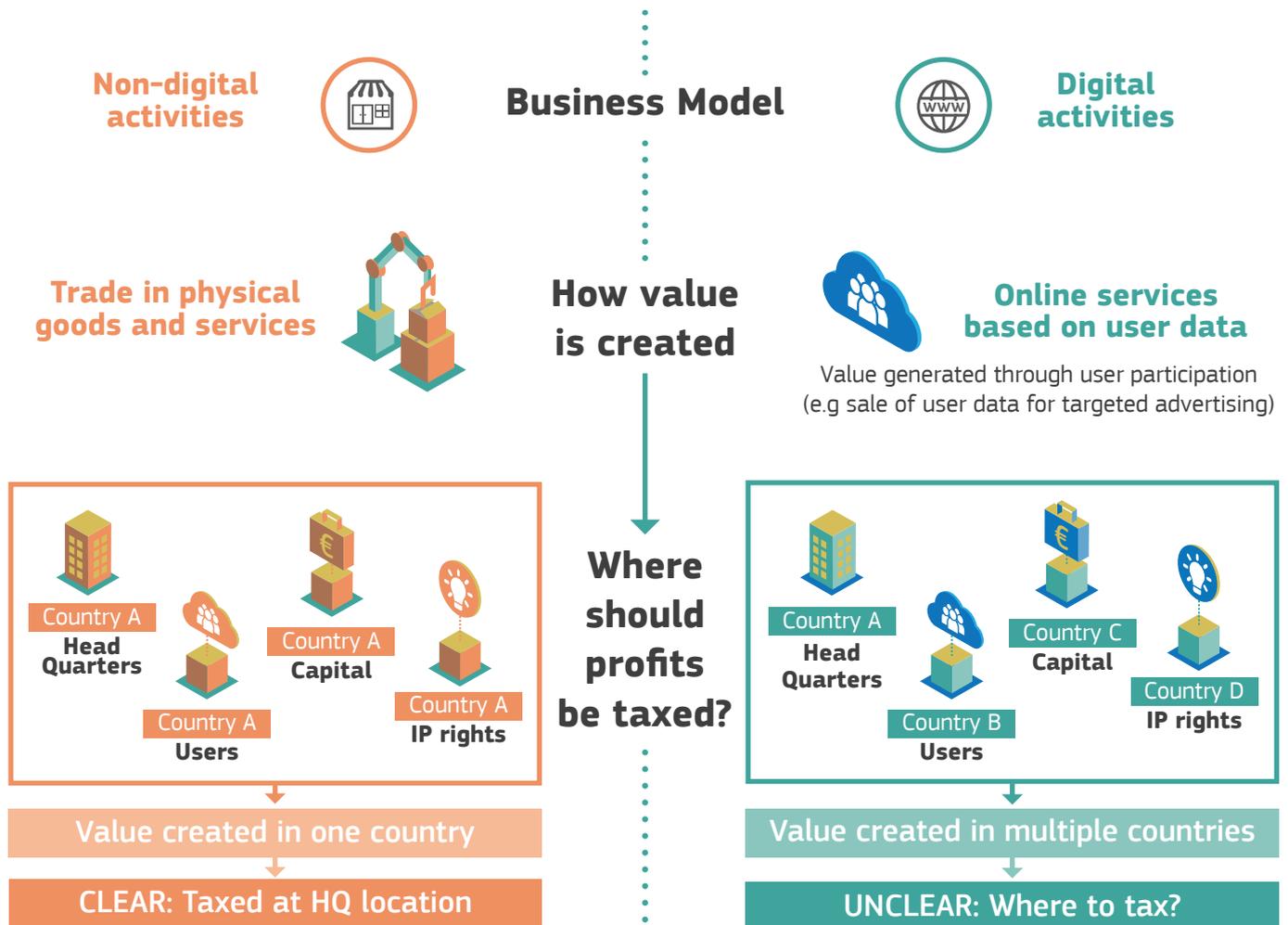
"We would prefer rules agreed at the global level, including at the OECD. But the amount of profits currently going untaxed is unacceptable. We need to urgently bring our tax rules into the 21st century by putting in place a new comprehensive and future-proof solution."

Valdis Dombrovskis, Vice-President for the Euro and Social Dialogue

"Our pre-Internet rules do not allow our Member States to tax digital companies operating in Europe when they have little or no physical presence here. This represents an ever-bigger black hole for Member States, because the tax base is being eroded. That's why we're bringing forward a new legal standard as well an interim tax for digital activities."

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs

Digital/Traditional: how profits are made and where they are taxed



The Commission is proposing two solutions...

1

A Common EU solution for Digital Activities

2

An interim tax to fix the urgent gaps

1 A Common EU solution for Digital Activities

OUR AIM

A Single Market in which digital companies can do business and grow, while paying their fair share of taxes

OUR SOLUTION

A comprehensive corporate tax framework

Common Consolidated Corporate Tax Base (CCCTB)

New rules for the taxation of digital activities

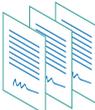
Adjusting double tax treaties

Where to tax?

Under the proposed new rules, companies would have to pay tax in each Member State where they have a significant digital presence, reaching **one** of the following thresholds:

✓ **Revenues from supplying digital services exceeding €7 million** 

✓ **Number of users exceeding 100,000** 

✓ **Number of online business contracts exceeding 3,000** 

What to tax?

The attribution of profit will take into account the market values of:

✓ **Profits from user data** (e.g. placement of advertising) 

✓ **Services connecting users** (e.g. online marketplace, platforms for “sharing economy”) 

✓ **Other digital services** (e.g. subscription to streaming services) 

2 An interim tax to fix the urgent gaps

"The economic and digital world won't wait for us. The EU has understood that and we will lead by example, by bringing credible answers to an urgent problem."

Pierre Moscovici, Commissioner for Economic and Financial Affairs, Taxation and Customs

THE URGENT PROBLEM

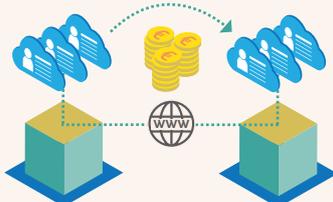
Member States are under pressure to act and are already taking unilateral measures, which will further fragment the Single Market.

The Commission proposes a way to stem the most urgent losses

An interim tax of 3% on revenues made from three main types of services, where the main value is created through user participation.



Online placement of advertising



Sale of collected user data



Digital platforms that facilitate interactions between users

... and provided by businesses with:

Total annual worldwide revenue above



750 M€

Total annual revenue from digital activities in the EU above



50 M€