

Position of the European Financial Congress¹ in relation to the European Commission's consultations on fair taxation of the digital economy²

Methodology for preparing the answers

The answers were prepared in the following stages:

Stage 1

A group of experts from the Polish financial sector were invited to participate in the survey. They received selected extracts of the consultation paper and the consultation questions. The experts were guaranteed anonymity.

Stage 2

The survey project coordinators from the European Financial Congress prepared a draft synthesis of opinions submitted by the experts. The draft synthesis was sent to the experts participating in the survey with the request to mark the answers they did not agree with and which should be modified.

Stage 3

On the basis of the responses received, the final version of the European Financial Congress' answers was prepared.

¹ European Financial Congress (EFC – www.efcongress.com). The purpose of the EFC is to promote debate on how to ensure the financial security and sustainable development of the European Union and Poland.

² https://ec.europa.eu/eusurvey/runner/Digital_economy

Answers of the European Financial Congress to the consultation questions

I. Current problems

The digitalisation of the global economy is happening fast. Corporate taxation is based on the principle that profits should be taxed where the value is created. However, for the digitalized economy, today's rules result in misalignment between taxation and value creation, since many digital business models do not result in a taxable presence or attribute profits to where the digital activities of these businesses takes place.

General questions

1. To what extent do you believe that the current international tax rules are adapted to the digital economy?

- To a great extent
- To some extent **X**
- To a little extent
- Not at all
- Don't know

2. To which extent do you agree with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
The current international taxation rules do not allow for fair competition between traditional and digital companies.		X				
The current situation could push some Member States toward adopting uncoordinated measures that would lead to the fragmentation of the Single Market.		X				
The current international taxation rules allow digital companies to benefit from certain tax regimes and push down their tax contributions.		X				
States are not able to collect taxes on the value that some digital companies create on their territory.		X				
Social fairness is impacted because some digital companies do not pay their fair share of taxes.		X				

3. Is there any need for action regarding the current international rules for the taxation of the digital economy?

- Yes **X**
- No
- Don't know

4. What is the best level to address the current problems related to the taxation of the digital economy?

- International level **X**
- European Union level
- National level
- Other (please specify)

Specific questions

6. What are the 3 main taxation challenges that digitalisation brings for businesses?

- Valuation of data / exploitation of data (i.e. quantifying how much the information that a company has about its clients is worth).
- Increased competition from global players.
- Uncertainty related to tax obligations when operating in different countries. **X**
- Uncertainty related to future taxation solutions for new business models. **X**
- Uncertainty on the exact allocation per jurisdiction of the business' value creation. **X**
- Other (please specify)

8. What are the 3 main challenges that digitalisation brings for national tax systems?

- Companies can access customers in national markets without being effectively taxed in the market country. **X**
- Businesses acquire new sources of revenue (e.g. through exploitation of data) which are not properly taxed.
- Unfair advantage of companies operating cross-border over local companies, due to lower taxation. **X**
- Difficulties to establish the tax liability of a company due to the complex value chain. **X**
- Other

9. Other

Supporting value creation by digital enterprises.

10. The European Commission has identified a set of objectives that could be considered when designing future legislative proposals for the digital economy. In your opinion, which are the most important objectives that should be pursued? Please rank the objectives according to your preference.

	1st place	2nd place	3rd place	4th place	5th place
Integrity and proper functioning of the Single Market.		X			
Sustainability of the corporation tax system and the tax bases of EU Member States.			X		
Ensuring a level playing field so that all companies pay their fair share of taxes (whether large/small, more/less digitalised, EU/non-EU based).	X				
Ensuring a competitive tax environment in the EU for the scaling-up of start-ups and all business to flourish.				X	
Other, please specify					X

11. Please specify

Supporting growth

II. Possible solutions

The European Commission is exploring possible options to solve some of the taxation problems that digitalisation brings. In order to properly address the challenges ahead, the Commission believes that a two-step approach might be needed: first a targeted, temporary solution followed by a comprehensive, long term one. Please look at the options below and tell us what you think.

General question

1. The long term solution might take some time until it is implemented. Do you believe that a targeted, temporary solution should be adopted until a more comprehensive solution is reached?

- Yes
- No X
- Don't know

Specific questions

2. Several targeted, temporary solutions have so far been identified. In case a two-step approach would be favoured, to what extent would each of these options solve the current problems related to the international taxation rules for the digital economy?

	To a great extent	Somehow	To a little extent	Not at all	I don't know
Tax on revenues from digital activities: Introduce a tax based on revenues generated from "digital activities".			X		
Withholding tax on certain types of digital transactions: Introduce a withholding tax based on payments to non-resident providers of goods /services ordered online.		X			
Tax on revenues from certain digital services: Introduce a tax based on the revenue from digital transactions concluded remotely with a non-resident entity that has a significant economic presence (e.g. revenue from the sale of online advertising).		X			
Digital transaction tax: Introduce a tax that applies early in the value creation process (collection of personal and other data).				X	
Other (please specify)					

4. Several long term, comprehensive solutions have so far been identified. To what extent would each of these options solve the current problems related to the international taxation rules for the digital economy?

	To a great extent	Somehow	To a little extent	Not at all	I don't know
Modify the Common Consolidated Corporate Tax Base proposal: Implement new permanent establishment and profit attribution rules through modifications to the CCCTB proposal.		X			
"Digital presence in the EU" proposal: Implement new EU rules for permanent establishment and profit attribution to capture digital activities of businesses in a stand-alone EU Directive.	X				
Destination-based corporate tax: Introduce the destination-principle to corporate taxation, according to which the jurisdiction to tax is based on the location of the consumer.		X			
Unitary tax: Introduce a tax on a share of the world profit of digital companies which would be attributed to each country on the basis of the percentage of revenue earned in that country.		X			

Residence tax base with destination tax rate: Introduce a system where profits of a company are declared and taxed in the Member State of establishment (as is the case today), but the applicable rate is the turnover-weighted average of the tax rates of the countries where the turnover is generated.				X		
Other (please specify)						

6. From a business perspective, if a digital tax were adopted, to what extent would you agree with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
It would increase legal certainty for businesses.		X				
It would improve the competitiveness of EU digital companies.		X				
It would level the playing field for businesses operating in the EU.	X					
It would allow more digital companies (start-ups, SMEs etc) to enter the digital market.		X				
It would increase the tax burden for businesses.		X				
It would increase the compliance costs for businesses.		X				
It would slow down the development of Digital technologies in the EU.			X			

7. From the perspective of a tax administration, if a digital tax were adopted, to what extent would you agree with the following statements?

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
The revenue collected by each Member State would increase.				X		
The revenue collected by some Member State would increase, the revenue collected by some Rother Member State would fall.		X				
The administrative burden from collecting the tax would increase.		X				
Tax disputes would increase.		X				

8. Should Small and Medium Enterprises (SMEs) be exempt from a possible digital tax?

- Yes **X**
- No
- Don't know

9. Additional remarks

- **With regard to Question 8 – only micro (or nano) enterprises.**
- **It is also important to ensure solutions that regulate transactions at the interface between the EU area and the non EU area. Due to the cross-border nature of the relations in the digital economy, the issue of potential profit transfers to non-EU countries requires special attention.**
- **The option of introducing tax on digital activities should be considered in the mode of enhanced cooperation (if there is no unanimity of the EU-28)**