Press release

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European Parliament

MEPs agree on new rules to tax digital companies' revenues

- List of taxable services: MEPs added *supply of content via digital interfaces*
- Threshold of minimum taxable revenues within the EU lowered to €40 million
- EP opinions adopted by overwhelming majority ahead of Council's move

The plenary proposed widening the scope of the directives on taxing digital businesses operating in the EU.

The European Parliament adopted both its two opinions on the proposals for Council directives on the corporate taxation of a significant digital presence and a Digital Services Tax (DST) by an overwhelming majority.

Supply of digital content added to taxable services

MEPs added to the list of services that qualify as taxable revenues the supply of "content on a digital interface such as video, audio, games, or text using a digital interface", regardless of whether the content is owned by that entity or if it has acquired the rights to distribute it. Online platforms selling digital content, such as Netflix, can therefore be taxed.

Lower threshold of taxable revenues made in EU

MEPs agreed to reduce the minimum threshold above which a company's revenues are liable to be taxed. The rules would apply to any entity generating revenues within the EU of more than EUR 40 000 000 during the relevant financial year. The European Commission had proposed that this should be EUR 50 000 000.

Digital Services Tax: just a temporary solution

MEPs underlined that the DST is a temporary measure. Adopting the Significant Digital Presence, the Common Corporate Consolidated Tax Base or similar rules reached at the OECD or at UN level would be permanent solutions.

Quotes

The rapporteur on the Digital Services Tax Paul Tang (S&D, NL) said: ""Both the European Parliament and the European people want tech giants to pay their taxes. That is why we voted for a more ambitious digital service tax, also taxing revenues from online streaming services.

We are talking about basic fairness, where everyone pays their fair share".

The rapporteur on the Significant Digital Presence Dariusz Rosati (EPP, PL) said: "Taxes have to be paid where a company creates its value - irrespective of if it is a digital or a traditional enterprise. The quarrels and mutual vetoes in the Council lead to the EU being unable to tackle this problem. The European Union should be a trendsetter, while also continuing to work on an international solution at OECD level. It is high time to act!".

Vote results

The report on the digital services tax directive was adopted with 451 votes in favour, 69 against and 64 abstentions.

The report on the corporate taxation of a significant digital presence directive was adopted with 439 votes in favour, 58 against and 81 abstentions

Next steps

The Parliament has a consultative role when it comes to taxation laws, (Art. 115 TFEU). Therefore, it will be up to the Council to decide by unanimity on the final content of the rules. The Parliament is pushing for an approval before the end of its mandate in April 2019.

Background

In July 2013, EU ministers agreed on the need to establish a common corporate tax base. The European Commission then split its previous 2011 proposal into two directives: a directive establishing a common corporate tax base (CCTB), and a directive on a common consolidated corporate tax base (CCCTB). Both draft directives were tabled in October 2016 and are still awaiting Council's agreement. In its resolutions, the European Parliament strongly supported this major reform of corporate taxation and introduced the notion of "digital presence" that would enable member states to tax digital companies.

In March 2018, the European Commission presented two distinct legislative proposals on a fairer taxation of digital activities in the EU. The first proposal (Corporate taxation of a significant digital presence), presented as the preferred solution, aims to reform corporate tax rules, so that profits are registered and taxed where businesses interact with users through digital channels. The second proposal (Digital Services Tax) is an interim tax which covers the main digital activities that currently escape tax altogether in the EU.

Further information

Adopted text will be published here (13.12.2018)
Video of the debate (12.11.2018)

Procedure document - Digital services tax
Procedure document - Corporate taxation of a significant digital presence

EP Research Service: Interim digital services tax
EP Research Service: Corporate taxation of a significant digital presence

EP Multimedia Centre: free photos, video and audio material

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