

**SPECIAL COMMITTEE ON FINANCIAL CRIMES,  
TAX EVASION AND TAX AVOIDANCE (TAX3)  
MONDAY 10 SEPTEMBER 2018**

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**PUBLIC HEARING  
‘DIGITAL TAXATION’**

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1-002-0000

**IN THE CHAIR: PETR JEŽEK**  
*Chair of the Special Committee on Financial Crimes,  
Tax Evasion and Tax Avoidance*

*(The meeting opened at 20.23)*

1-003-0000

**Chair.** – Good evening. Let us start the meeting. I'd like to welcome the members and the audience to the first meeting of the Special Committee on Financial Crimes, Tax Evasion and Tax Avoidance (TAX3) after the summer recess. In the interim, the Committee has not been inactive. A delegation from the Committee went on mission to Washington DC in July and another delegation went more recently to Latvia. In this way, the Committee has been able to obtain and gather first-hand information and evidence about many of the subjects within its mandate.

Today we will be discussing digital taxation. We are all aware that our sister committee, the Committee on Economic Affairs (ECON), is currently dealing with two pieces of legislation aimed at ensuring that digital companies are not let off the hook when it comes to paying taxes. During our mission to Washington DC, digital taxation was one of the topics which attracted most interest and triggered the most passionate debates with our counterparts. I am convinced that the hearing will benefit from the knowledge gained by members from these debates.

With today's discussion, we will give full effect to our mandate of contributing to the ongoing debate on taxation in the digital economy. I am convinced that your discussion –our discussion – today will feed into ECON's legislative work on the subject.

The hearing will consist of two presentations by experts in the subject – one from the OECD and two from the European Commission. Firstly, we will hear Eduard Folch Sogas, from DG TAXUD, who is representing the Commission at this meeting and who is accompanied by Bart Van Raaij, also from DG TAXUD. Subsequently we will hear Eric Robert, who will present the OECD position on taxation in the digital economy.

Welcome, gentlemen, to this meeting. We are looking forward to hearing your presentations and to discussions with you about the state of play in digital taxation. Each institution will have a ten-minute slot for its presentation. After the presentation by the speakers there will be an exchange of views with the members of the committee in the form of a question and answer session.

I give the floor to Eduard Folch Sogas.

1-004-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – Chair, I would like to thank you and the members of the committee for your interest and for your invitation. Both Robert and I come from the European Commission and we were both involved in preparing the digital taxation package. Given the time constraints, we will try to highlight the main aspects of the whole package. You will be aware that there are several legislative proposals involved, so if any of the issues remain not covered during my presentation, please feel free to raise them during the questions afterwards.

I will briefly cover the problem that we are trying to solve and then we will outline the solutions we are proposing. Let me emphasise that it is the same problem, it is just a matter of solving it from different angles.

What are we trying to solve here? Corporate income taxes are outdated and they do not work when they are applied to the digital world. On the one hand, digitalisation is a fact permeating all areas of society. We don't speak about digital companies anymore but about digital activities, and that is fine. We encourage digitalisation and, in fact, the digital single market is one of the ten political priorities of the Commission. As citizens and as users, I think we all acknowledge the benefits that digitalisation can offer.

On the other hand, we have the fact that corporate tax rules were designed a hundred years ago, for brick-and-mortar businesses, and those rules are largely based on the concept of physical presence. That means that a company pays direct taxes in a jurisdiction if it is physically present there, be it by having a main establishment or by having a permanent establishment there. That is because, a hundred years ago, if a company wanted to do business in a market it had to establish itself physically there. It had to set up a warehouse, it had to open a shop, so that is the reason why rules rely a lot on physical presence.

However, if we combine these two realities we see that they don't fit. Digital business models have several characteristics: they rely on intangibles, on user-value creation and also on what the OECD calls 'scale without mass', which is the capacity to provide services remotely, to reach their consumers remotely. That means that digital businesses, while doing business in a jurisdiction and therefore taking advantage of the infrastructure in that jurisdiction, are not necessarily established there for corporate tax purposes. That is why we say that the corporate tax framework is outdated and that digital companies are not able to pay income taxes where they do business because of the rules being based on physical presence.

All the solutions that we propose in this digital taxation package try to solve the same problem from a different angle and with a different timeframe.

I will skip further problem definition, as it just shows that the problems we're talking about are only set to grow. I guess you are aware of the political context: we are not the only ones having identified this problem, it has been widely talked about, and it has been examined in the OECD as well. The OECD has been working on this; we have had a political mandate from the Council to work on this and to deliver the legislative proposals that we delivered in March. These are the solutions that we propose.

The problem that I have just described is a global problem and that is why it deserves a global solution. By global I mean a solution agreed at OECD level, in the international sphere. However, we know that this global solution will take time, and that makes sense because we are talking about a very complex problem, and the structural solution, which we believe is the only way forward, involves redefining fundamental concepts of corporate taxation, such as the concepts of permanent establishment and allocation of profits.

We are also proposing to change the corporate taxation rules at Union level. That is why we are proposing a directive to change the rules between Member States and a recommendation to change the rules between Member States and non-Union jurisdictions. This solution consists of redefining the corporate tools to take into account the digital factor but, again, that is a challenging exercise, and it too will take time. That is why we also propose an interim solution to be applied until the comprehensive solution is in place, and the interim measure is the digital services tax (DST).

The comprehensive solution – I will refer briefly to that one – aims at changing the answer to two questions which are those we ask ourselves when we determine what a company pays in a Member State, namely where to tax and what to tax. For a company to be able to pay taxes in a Member State – direct, corporate taxes – it needs to have a taxable nexus with that jurisdiction. If companies rely on physical presence, that taxable nexus simply doesn't exist. That's why we

propose to establish a digital taxable nexus, or what we call a digital permanent establishment ('digital PE'). However, for that company to be taxed in a Member State is not only necessary that it has a digital PE but also that we are able to allocate profits to that digital PE. So that's why we propose to take into account the digital aspect of businesses in the way profits are allocated. You will have seen that what we have proposed in order to trigger a digital PE is the fulfilment of a series of alternative criteria, and once that digital PE has been established then the allocation of profits would have to be carried out according to the existing functional analysis, which we already use: that is, with the assets, function and risks of a company being taken into account, but also including the digital aspect which is currently missing.

I will now move on to the interim measure, because what I just described, which is the comprehensive solution – the solution that we believe would bring the most accurate outcome and would constitute the most accurate solution to the problem – will be a difficult one to agree on. That's why, in the meantime, there is pressure for us to act in order to introduce interim measures. Otherwise there is, firstly, a risk of erosion of tax bases in Member States. Secondly, European companies which are subject to corporate taxation rules perceive unfairness in this situation because they fall within the traditional criteria and they have actually complained to us. We've met quite a few European companies which have told us they are in a position of competitive disadvantage because non-established businesses are not playing by the same rules. And, thirdly, we have a risk of fragmentation of the single market and therefore an increase in compliance costs because quite a few Member States have already started to introduce interim measures and – we have to be honest – those interim solutions are a reality, and without European Union action the risk is that we will end up with a patchwork of 28 interim measures.

That's why we propose an indirect tax, an update on the basis of Article 113, on the gross revenues obtained from the provision of certain digital activities only. During the questions I'm sure that the issue of why we propose a turnover tax will be raised, and I must say, it is true, this is a turnover tax that departs from taxation of profits and taxation of company incomes. So why do we have to propose a turnover tax?

Well, because if we want an interim measure which is applicable now, tackling the gaps in the current corporate tax rules, that interim measure cannot abide by those rules that we want to change, and a tax on income would be subject to the same limitations which we're now trying to change and which the comprehensive measures would aim to tackle.

Lastly, I would highlight the fact that this interim measure is extremely targeted, both in terms of the taxable persons that would qualify for having to pay DST and also in terms of the activities covered by the new tax. We would tax only certain digital activities which rely a lot on user participation. This user participation is worthy, it is monetised and it is one of the main inputs from which companies generate revenues. What we are doing is to acknowledge this potential, and that is the reason why the tax is applied on these high-user-participation activities and not on others.

1-005-0000

**Eric Robert**, *Adviser on BEPS, Taxation and the Digital Economy, OECD*. As a matter of introduction, given the limited timeframe, I will try to just explain a bit the work we have been doing within the OECD – and now within the Inclusive Framework on BEPS – on the tax challenges raised by digitalisation.

This work goes back to 2013 and the start of a BEPS project, which I believe most of you are familiar with. Here the work started with the idea that there was a BEPS problem, because some of the tax scandals that have given rise to the BEPS project were tax planning structures implemented by highly digitalised businesses. Therefore, work in the context of a BEPS project was conducted on those challenges and a report was delivered as part of a BEPS project in 2015.

However, we will see that there was a consensus that the work was not finished and there were issues which went beyond purely BEPS and tax avoidance. So a specific body, the other group responsible for conducting the work, agreed that further work was needed. This other group is the Task Force on the Digital Economy, and a new mandate was adopted subsequently to the BEPS project in 2016-2017, under the aegis of the Inclusive Framework on BEPS, which is the new forum in charge of following, monitoring, the implementation of the various measures of the BEPS project – a forum that includes today more than 117 members working on an equal footing.

In the context of this new mandate, the work of the Task Force was pursued and there was agreement that the deadline, which was initially set at 2020, to try to find solutions to the unresolved questions was too far away and therefore an Interim Report was needed for March 2018. I will present today, quickly, some of the findings of this Interim Report.

Before getting there. I think it is useful to go back to the BEPS Action 1 Report, which was delivered in 2015. There were very important findings there which laid the ground work for what we are currently doing now within the Inclusive Framework on BEPS. The first finding is the fact that there is no such a thing as a specific sector of the economy which is the digital economy. We are talking about a transformative process which spans the entire economy and therefore no possibility to ring-fence the digital economy or digitalised businesses for tax purposes.

A second finding, which is related to this, is the fact that when we look at the different structures implemented by even digitalised businesses, highly digitalised businesses, we see that the techniques, the accounting and legal techniques, used are no different from other techniques used by other less digitalised businesses and therefore there are no unique BEPS issues raised by digitalisation because – and this is an important element – since the BEPS Action 1 Report we do not use the term ‘digital economy’ any more within the Inclusive Framework. We talk about digitalisation or digital transformation.

Now having said that, there was acceptance at the time that digitalisation and the associated features which were mentioned earlier by the European Commission – that is scale without mass, notably, heavy reliance on intangibles to generate profits, and heavy reliance on user participation or on exploitation of data to improve productivity – all these features, although they do not raise specific BEPS issues, they do possibly exacerbate some of the BEPS issues due to the fact that they increase mobility or certain tax planning opportunities. Nevertheless, they do not call for any specific solution in the BEPS area.

Now, beyond BEPS, since during the BEPS project there was agreement within the Task Force that there are some broader tax challenges – challenges that have not to do with tax planning, challenges that have not to do with tax and morality, but challenges that have to do with the actual structure, with the actual nature of some of these business models and the fact that they may raise questions as to whether the existing tax framework, both for direct and indirect tax purposes, is still suitable, up to date. These broader tax challenges were listed, identified and described in their broad features both for direct and indirect tax purposes.

For indirect tax purposes, as you may know, some solutions at the time were already designed and agreed upon and today we already have some global solutions for VAT purposes which are being implemented broadly by countries, obviously the EU with the directives on VAT, but not only. Today, I think we have more than 60 countries across the globe that have implemented the global solutions which were designed for VAT purposes in order to ensure and then – I do not know whether you are familiar with these problems, but the problem is to ensure effective

collection of VAT in the state of consumption when the supplier of the service or of a digital product is not actually physically present in the state of consumption.

On the direct tax space: the problem was largely left unresolved because here the problems which are raised, which – and this was explained earlier by the Commission – relate to nexus, to profit allocation, to how the key features of business models can still be captured by the existing fundamental rules that underlie our existing tax framework, well on these particular issues, it seems that the underlying issues related to the allocation of taxing rights and this was not part of the mandate of the Task Force, either generally or marginally, on the BEPS project to deal with the allocation of taxing rights, and therefore it was agreed that further work would need to be performed on those areas and that there would be time later on to discuss these types of issues. So no agreement on those issues, but agreement to continue work subsequently.

A new mandate has been adopted since the BEPS package was delivered and the key elements here of this new mandate relate to the direct broader tax challenges that I mentioned earlier, given that no agreement was reached on those issues during the BEPS project. Here the idea was that in order to be able to reach consensus, to make some progress on the discussion around those challenges, it was important first to gather more data on what is happening, and therefore to monitor any relevant developments related to digitalisation and how businesses use digital technologies, and this has really been a big part of the work that has been performed and that is reflected in the recently released Interim Report, which is the analysis of business models that are heavily digitalised. Part of the work which was important was also to monitor BEPS implementation and the impact that this implementation of the various BEPS outputs is having on business models, including on digitalised business models, to see whether indeed we have fixed the problem here in terms of tax avoidance.

Another important piece of work was to try to monitor what is going on across the world in terms of dealing with digitalisation, including the broader tax challenges. You must be aware of a number of actions taken by various countries, including the proposal made today by the European Commission, with a view to dealing with some of the challenges raised by digitalisation, and many other countries have already taken action, such as India with the equalisation levy, but also other countries. All this work obviously has one purpose, which is to feed the discussion around the broader tax challenges and enable progress on achieving consensus on what we now call long-term solutions.

An important milestone in this work that has led to the Interim Report which was released in March this year is the public consultation which was organised in California. We had broad participation from stakeholders with different backgrounds. It is also important to emphasise here that all this process since the BEPS project, but also the new mandate which is being conducted under the aegis of Inclusive Framework, is directed under the leadership of the G20, which at various stages of the work has approved the findings and renewed the mandate of the Task Force on the Digital Economy. The most recent one, obviously, is the approval of the Interim Report, which was released in March 2018, which took place under the Argentinian Presidency.

Now if we come to the Interim Report, we have eight chapters covering many different issues and I think here maybe the most important thing is to emphasise the work that has been done regarding the broader tax challenges. Here on the screen, you have an overview of the various issues covered by the Interim Report. If you look on the right hand side at the tax policy issues you see that, first, some progress here has been achieved in terms of exploring what these challenges are, and more particularly, what are the implications of the key features of digitalisation for income tax purposes.

We mentioned here earlier scale before mass, reliance on intangibles, user participation. All of these features have potential implications for income tax purposes and countries have further explored these implications – and again there is a big problem as there are divergent opinions around what are exactly the different implications for each key feature of digitalised business models. But an important new element here is the fact that the report itself described what country positions are regarding these tax implications for the income tax system.

Three groups of countries, three categories of countries are being identified. While a first group of countries considers that basically the problem is mainly related to one feature of digitalisation, which is user participation and that this feature required some targeted changes to the existing international tax framework but nothing beyond, versus a second group of countries which considers that digitalisation is only a symptom of a broader problem, which relates to globalisation and to the fact that some of the fundamental principles of the existing tax system may not be up to date anymore, and therefore any reform to deal with those challenges would not be confined or restricted to digitalised businesses because there have to be answers to broader problems and therefore any reform would apply more broadly to the entire economy.

The third group of countries considers that there are no specific problems related to digitalisation and that, as such, the various BEPS outputs, once they are implemented effectively, should deal with the problems.

What is important here is that we have a commitment by all the countries within the Inclusive Framework, irrespective of which group of countries they belong to, to continue working on those issues in order to find a long-term solution which would involve a modification of both nexus and profit allocation rules, because there was a consensus here that the issues related to nexus and profit allocation.

The last thing – and I think I will end here – is that we can be rather optimistic and positive about the ability here of the OECD to make significant progress between now and the deadline, which is 2020, given the fact that one of the important countries which was, to be frank, blocking any significant progress on those discussions because it disagreed with the fundamental diagnosis that there was a problem related to digitalisation and globalisation – the US – is now clearly open to discussions over these areas and it has committed with the other countries to try to find a reform, an amendment to existing nexus and profit allocation rules, in order to deal with digitalisation and globalisation more broadly.

Here is just an identification, on the last slide, of what the next steps are within the Task Force, and the work plan to basically to try to achieve consensus on a long-term solution, which is already at this stage involving some technical work on what a long-term solution might look like.

Thank you. I will stop there and open the floor for any questions.

1-006-0000

**Chair.** – Thank you, Mr Robert, for the OECD approach description. Now we will engage in the discussion. Questions will be asked, as usual, in five-minute slots, with the question being a maximum one minute, and the remaining four minutes for the answer. We will start with the two co-rapporteurs, the first being Luděk Niedermayer of the EPP. And please could everyone keep an eye on the clock.

1-007-0000

**Luděk Niedermayer (PPE).** – I will try to be within the limit. First of all, I highly appreciated the presentation and it brings a lot of improvements compared to the situation in the hearing in the Committee on Economic and Monetary Affairs.

For the Commission, I have basically two questions. The first is that I firmly believe that this project is about fair distribution of taxation, not about increasing taxation – that was said by the Commissioner representatives – but my concern is that it can actually create a situation of double taxation or taxation of non-existing profit. How serious is this threat? And the second: we will need the data from the firms that will be taxed, so how feasible is it that we will be provided with adequate data?

Concerning the second part, I would say that I fully agree that this is not about the digital economy, and I guess that a final or good solution should cover not only digital but something that I would call a distance sale, so that means the profit that is actually created by market participation in some country without permanent establishment. So if you agree that these things should be covered, to which extent? It's really challenging to create the profit attribution because you can still find out the revenues, but it's very difficult to assign the cost.

And last but not least – this is the general question in the definitive solution that obviously looks more attractive: what way can be taken in order to actually define the cost base for that newly-created digital establishment?

1-008-0000

**Eric Robert**, *Adviser on BEPS, Taxation and the Digital Economy, OECD*. Okay, I can comment on the second point which was made. I think that indeed, among many members of the Inclusive Framework on BEPS, there is this feeling – and there was this second group of countries that I mentioned earlier, to which the US belongs but also many other very important countries including India, Indonesia, and so on – which considers that digitalisation may just exacerbate some of the issues that are related to the fact that market jurisdictions are under-compensated under existing rules.

And if you agree on that diagnostic – but again that is not the case because that is one group of countries – an important group, obviously – but not all countries agree on that diagnostic – if you agree, if you have this diagnostic as a starting point, then obviously the type of options – long-term solutions – that you are going to look at are options which will try to identify what is specific to a market in value creation and what type of features specific to a market – country-specific or market-specific – within economic activities could be used as leverage in order to modify the existing income tax framework and in particular try to allocate further income to the market jurisdictions including, possibly, revised nexus rules to enable the market jurisdiction to tax in certain situations where today, under existing rules, they are not able to tax.

So one way to do that could be to look at some relevant costs and try to have a discussion around: are there some relevant costs supported within the business that are specific to accessing or penetrating a market? That's obviously a potential avenue for the work, and the discussions around those various options, possibilities, avenues to develop long-term solutions are already taking place today within the Task Force.

1-009-0000

**Eduard Folch Sogas**, *DG TAXUD, European Commission*. – I would like to touch upon a couple of the first questions that you asked. We absolutely agree with you. This is not about taxing more but about taxing differently, and that is extremely clear in the comprehensive solution. We want to change the existing rules to bring into the scope of the framework the digital aspects that now escape the framework.

It is the same logic as followed by the interim measure, which tries to establish a level playing field between companies which are subject to the existing rules because they are physically established in the Member States where they operate, and non-established companies which operate in that same Member State but which are not seen as being physically established there and which therefore are not required to pay any taxes.



We acknowledge that there may be a risk of distortion in cases where a local company is subject to corporate income taxes and also the digital services tax (DST). Why do we have to apply DST in domestic scenarios as well? Well, there were several legal constraints that we had to face while designing the features of DST. One of those was the fundamental freedoms in the Treaty on the Functioning of the European Union and more specifically the freedom to provide services.

We cannot distinguish between the provision of services domestically and the cross-border provision of services. That would lead to de facto discrimination, and that is the reason why DST has to be applied also in domestic scenarios. However, we have laid down in the legislation that Member States should allow companies to deduct the DST paid as an expense from their corporate income tax base, to mitigate the specific cases where there could be a distortion from that perspective.

I think your other question referred to the availability of data of companies which are established in non-Union jurisdictions and how we would be able to enforce DST in those scenarios, I expect. Well, it's not new to enforce a European tax on a non-European company, and we do that on VAT all the time.

VAT is paid in the jurisdiction where the consumers are, so if we have an American company, a Chinese company, an Indian company which is making a supply (to simplify) to a European Union consumer, those companies have to declare and pay VAT in the European Union, and they are doing so. That is not merely us saying it, but there has been an assessment of the Mini One-Stop-Shop, which has put in place the mechanism whereby these companies get to pay their taxes.

The fact that it's a self-declaratory tax does not necessarily hamper the application of the tax, and moreover we have to take into account two other aspects: the tax is really targeted, so we are speaking about companies of more than EUR 750 million, so they are known in these European jurisdictions.

1-010-0000

**Jeppe Kofod (S&D).** – Just following up on the last question, just to be very exact, because an argument often here is that this proposal from the Commission would be circumvented by digital companies based outside the EU but operating in a single market. That was a question, I think, that Luděk also alluded to. So can the speaker then envisage a situation, for example, where Facebook would be able to continue selling its services in the European Union after adopting these provisions, without being subjected to digital taxation? I think you answered that, but it is a question that I hear very often in this debate.

Secondly, another argument frequently levelled against digital taxation – I think we should be able to ask the Commission as well – by its opponents is that the risk can also apply to non-digital companies, specifically that the underlying principle of taxation at the place of the customer would also apply to companies without a significant digital presence. So can the representative of the Commission clarify once and for all: will the proposal for a digital service tax be applicable to traditional non-digital companies like, for example, pharmaceutical companies or producers of other physical products like, for instance, toys or clothing. This is an argument we hear.

Finally, maybe also to the OECD: Mr Robert, you were very optimistic about action, common action and agreement, consensus among the OECD countries by 2020. I do not know what you base your optimism on, but I hope you are right. But in the meantime, do you understand the need for the European Union to protect the integrity of the single market to ensure a level playing field within the European Union and also avoid erosion of national tax bases by these

provisions that have been proposed by the European Union? Is this something that you support and discuss in the OECD context, these kinds of temporary provisions?

1-011-0000

**Eduard Folch Sogas**, *DG TAXUD, European Commission*. – Thank you for your questions. Let me start with your last question. So, the digital services tax (DST) – to which companies would DST be applied? Let us clarify. I think that is indeed a very fundamental and relevant question. DST is not a tax on specific companies or on a group of companies. It is not a tax on a specific sector. It is not even an tax on digital companies because, as you said very well, you could even have a traditional company supplying certain services which fall within the scope of DST.

DST is a tax which has to be paid by taxable persons, that is persons qualifying as a taxable person according to certain criteria, and which are providing certain digital services. Those services are really well defined in the directive. They are advertising services, intermediation services and sale of data.

To answer your question, if you have – let us call it – a traditional company, a brick and mortar company, a pharmaceutical, as you referred to, which is selling data, not any kind of data but the data that we specifically limit and confine in the legislation – data generated by users through a digital platform and so on – that company will fall within the scope of DST.

Concerning your first question, I am sorry that I did not quite get the nuance between your question and the question from the previous Member of the Parliament. I think the possibility of companies circumventing the tax is quite minimal, or at least is not worse than the possibilities of that same company circumventing the tax already now. So I think the tax jurisdictions would have the mechanism to target those risks and to minimise these scenarios.

1-012-0000

**Eric Robert**, *Adviser on BEPS, Taxation and the Digital Economy, OECD*. – Just a few words on the optimism regarding the commitments that we have within the Inclusive Framework, which is basically based on the observation of a new dynamic that we have within the Inclusive Framework, I started working on this project under the BEPS project in 2013 and I have followed this work since then, which is now more than five years, and the dynamic has clearly changed within the Task Force. We cannot predict what is going to be the final outcome but I think it allows us to be optimistic, given the new position of certain countries.

Regarding unilateral actions, and more precisely the proposal made by the EU regarding the digital services tax, clearly when you look at the Interim Report that was released this year, there is no consensus within our membership on the merits or the need for immediate and unilateral action. I would add to this that, speaking from the point of view of the OECD and of the Inclusive Framework, it is in our DNA to try to strive for a consensus-based multilateral solution. I would say we have a natural suspicion of unilateral uncoordinated measures.

Having said that, I think that many countries within the Task Force, beyond EU countries, have sympathy for and understanding of the pressures that are felt by some countries – and it is not only the EU, there are other countries across the world which feel pressure to take immediate action, and it is also explicitly recognised within the Interim Report that countries are sovereign and as such they are, of course, free to adopt any unilateral action under domestic law provided they comply with their international obligations.

From the perspective of the OECD I think that there is only one bottom line basically, which is that any unilateral action taken by a country to take immediate action should be designed in such a way as not to undermine the progress that we are currently making on the design and the development of a long-term solution.

1-013-0000

**Dariusz Rosati (PPE).** – My first question is to the Commission. I would like to ask you about the potential problems with the distinction between the digital services that are supposed to be taxed and other digital activities performed by companies. Are you sure that this can be in each and every case precisely delineated in order to avoid some grey area in which there would be some misunderstandings as to whether to assess the taxable service or if it is something else? From the draft directive, it is not that clear, because the definitions are still general. A related question is to what extent you think the national tax authorities are prepared to make this distinction and to measure these taxable digital services. Are you confident that they are capable of making this assessment and ensuring compliance with the proposal?

Now a question to the OECD, slightly following up on the previous questions. Some countries in the OECD are against this tax and, in general, they are against the idea of a digital tax. What are the main arguments? Are these arguments such that you are still confident that you can find a compromise within two or three years in order to find a global solution and, if so, then what kind of tactics or arguments are you going to use in order to convince those who simply don't want to listen or even consider this.

Again, a second question is to what extent do you think that this unilateral action by the EU – which I support, by the way – is helpful in finding a global solution? That is to say, is the European Union taking this initiative on its own, somehow prodding other countries towards a common solution, or may it actually provoke them to resist the global solution? What's your opinion on that? Are you in favour of what we are doing here – of what we have started with the initiative of the Commission and with our reports here?

1-014-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – Thank you for your question. Concerning the distinction between the taxable services that we have laid down in the Directive, we believe first of all that this is again a very targeted Directive which covers only three taxable activities. This is not something, I repeat, that has an incidence on the practical application of the legal texts. The more complex the subjective scope of the Directive, the more complexity in its application. The fewer taxable services that we have, the fewer problems that we will have in applying that legal text.

Having said that, I accept that the definitions as laid down in the Directive may be subject to improvement, of course. That's why we are open to suggestions not only from Parliament but also from Member States in the Council. Everything that goes towards clarifying what we mean by these free taxable services we will be open to explore and to accept.

I also want to say that there will always be a grey area when it comes to applying a definition, as in any legal text. In VAT, for instance, you have got exemptions and case law on exemptions, because every time you try to draw a line, you try to confine what is taxable and distinguish it from what is not taxable, drawing that line may lead to some discrepancies. What we are trying to do is to minimise this grey area.

Concerning your second question, I think we fully trust the professionals in the tax administration of our Member States, and we believe that they are fully capable not only of applying the legal texts but also to carry out the tax audits, which will be needed to ensure full compliance with the DST.

1-015-0000

**Eric Robert, Adviser on BEPS, Taxation and the Digital Economy, OECD.** – I think on the first point raised, regarding the Digital Services Tax (DST) and why some countries have expressed concerns about its adoption, one reason – and it is quite well discussed and elaborated upon within the Interim Report – relates to the economic distortions associated with such a measure. It was mentioned earlier that any unilateral domestic action needs to comply with

international obligations, and one of these international obligations is the principle of non-discrimination under trade obligations, and also under EU law. This limits the room for manoeuvre and the way a country is able to design such a measure, making it potentially very harmful for its own economy. A list of potential distortions is provided in Interim Report.

Another argument which has been raised by some countries is the fact that indeed if a long-term, consensus-based solution was to be found within the 2020 deadline then it raises the question of whether it is still useful and efficient to have interim measures to be adopted today, because 2020 in terms of OECD process – and I think also of any domestic legislative process – is basically tomorrow, and a long-term solution may already be available tomorrow, so this is really a very short a timeline.

Then, on the question of whether the DST or other unilateral immediate actions may be considered helpful in finding a long-term or less harmful solution, I think firstly it depends obviously on the design of the measures. Some design features have been discussed within the interim measures. One of the features which I think is very important is the possibility to have a ‘sunset clause’ within the proposal itself, in order to stress the interim nature of a measure and already identify in the future the termination of the measure in case a long-term solution is agreed upon at international level.

Beyond the discussion of the design features of the measure, there may be a question around some countries maybe considering the fact of adopting – or at least of having a proposal to adopt – unilateral measures may be useful in voicing their concerns or in putting pressure on other countries to compromise and make a step in their direction in the discussion around the long-term solutions. That, I think, is a purely political issue on which I have no authority to comment.

1-016-0000

**Chair.** – Now we have eight speakers representing the political groups, so we really must limit the number of questions and shorten the time slots to four minutes. I agree this was longer for some of the others, but they were co-rapporteurs so it was a bit different.

1-017-0000

**Othmar Karas (PPE).** – Chair, I would like to pick up on something we discussed earlier. It’s not just outside the EU that there are countries with reservations about a digital services tax. Here inside the EU there are five countries that have such reservations, and 10 that are working on national arrangements – despite the agreement reached last Saturday in the informal Ecofin Council. So I have three questions for the Commission. Is consideration being given, or when will it be given, to dropping the unanimity requirement and acting on a proposal from the Commission to switch to majority voting on this?

Secondly – as the question of the blurred line between digital turnover and other revenue has been mentioned – do we not need to go for a mixture of the short-term and the long-term solution? And thirdly, it is projected that a three percent tax rate would raise EUR 5 billion: has there been any discussion with the Member States about letting this revenue flow into the EU budget as own resources?

1-018-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – Concerning your first question, we have made a proposal. I guess you are referring mainly to DST, so our interim measure, so I will comment with that proposal in mind. We have made a proposal based on Article 113 of the Treaty on the Functioning of the European Union, and that requires unanimity. That is the scenario that we are working on at the moment.

Concerning your second question, as to the word ‘limitation’ you referred to, between digital and non-digital, we agree that entering into a discussion about what is digital or non-digital

would be tricky, so that's why we have tried to stay away from this. That we have done by very specifically defining certain services and their characteristics. We believe we have raised the chances and the legal certainty for businesses and for tax administrations when it comes to classifying activities in the real world out there into the specific activities taxed under the DST. Correct me if that is not what you had in mind when you put the question.

Concerning the possibility to use DST revenues as own resources, I believe in the Commission's Communication which accompanies the whole digital tax package, there was a reference to that possibility. To my knowledge, that is the state of play and I'm not aware that there has been much discussion on that specific topic.

1-019-0000

**Elly Schlein (S&D).** – The Commission chose the 3% rate for the interim digital tax – I quote – ‘after a careful analysis of many different factors and impacts, including the tax burdens of businesses with different margins’. Could you please elaborate a little more on these aspects?

Then I would ask how many companies worldwide – I have seen the figures in your presentation – could be considered a taxable person, according to the conditions laid down in Article 4?

The last question would be: how does this fit together with what, I think, in the long term, is the structural answer needed – the CCCTB Directive. I mean, doesn't it risk delaying somehow approval of the CCCTB, on which, as you know, this Parliament has expressed more than once, with a strong majority, the need to go forward?

1-020-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – Apologies, first of all, because you will know that the team that worked on this project is quite large and, unfortunately, you are not speaking to the economists in that team. So you will have to forgive us for the basic explanation that we will have to give you. I will be happy to take any written questions afterwards and to clarify to the extent possible.

The 3% rate was decided in order to balance, on the one hand, the need to raise revenues in order to compensate for the costs of implementing this measure and, on the other hand, acknowledging the fact that this extra tax would be likely to create distortions in scenarios where companies paying the digital services tax (DST) are already subject to corporate income taxes in the same Member State.

So that is why several margins have been taken into account and the effective tax rate of these companies subject to those two types of taxation has been calculated. Rates of more than 3% led to levels of taxation, effective tax rates, which were considered to hamper and to disturb too much the viability of those companies, while lower tax rates did not ensure the economic viability of the tax per se. So that is why 3%, in the opinion of the Commission, was a compromise between those two aspects that we had to carefully balance.

On your second question, we estimate that about 180-200 companies worldwide could be subject to DST – that is companies exceeding the two thresholds and providing the taxable services. My colleague Bart will comment on your third question.

1-021-0000

**Bart Van Raaij, DG TAXUD, European Commission.** – On the CCCTB, based on the Commission proposals the CCCTB would not apply to all companies because there is a mandatory scope for companies belonging to a group with a revenue of at least EUR 750 million. So, if the CCCTB is adopted, we would still need rules for other companies not subject to the rules of the CCCTB. That said, we do recognise that the proposals on the common base and the CCCTB should be adjusted in due course to take into account aspects of the digital economy, including the rules on digital permanent establishment (PE), and we may

also have to adjust the apportionment formula apportionment. We are very well aware that the European Parliament has made some interesting proposals in that regard.

1-022-0000

**Wolf Klinz (ALDE).** – We haven't had a lot of luck so far in the European Union in terms of devising lasting solutions to the problems that have been identified in the tax system. I have three questions. What makes you so sure that the digital services tax will turn out better than the financial transactions tax? Surely it's likely that we will get stuck again with enhanced cooperation, and the whole thing will drag on for years without much progress being made.

Secondly, are you really convinced that changing the system – moving from taxing profit to taxing turnover, but with a view then to profit taxation – is the only viable option? Do the country-by-country reporting arrangements not afford scope for other types of approach? And thirdly, do you not think that we will face heavy retaliation? It's mainly US companies that are going to be taxed here, and my fear is that we can expect retaliatory measures, at least from the current US Government.

1-023-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – Thank you for your questions. Concerning the way the DST will be developed, the only thing that I can say is that we are doing our best. We have worked really hard within very short deadlines to present not only one proposal, but three proposals, and a full impact assessment which are technically sound. We have heard, and are aware of, the criticisms that have been raised, but I would like to stress as well that I haven't heard many serious alternatives to the proposals that we have on the table. So that is an aspect that we have to be aware of. What we can guarantee is that we have worked really hard to put proposals which are technically sound on the table and that we are willing to listen and to take into account any sensible suggestion which will help increase the clarity and the quality of what we have on the table.

Your second question: why are we changing from taxing profits and income to taxing turnover? Well, we don't want to tax turnover per se. Again, we believe that the best solution is a global solution, meaning an OECD solution or, in the absence of that – because that is a very challenging exercise – we believe that a European change of corporate taxation rules, i.e. taxing income and profit, is the best solution and is the most accurate solution. But we have to be realistic as well and we have to acknowledge that changing corporate taxation rules means changing fundamental aspects of company taxation as we know it. That's why we are proposing an interim measure to be applied in the short term in the period during which the comprehensive solution is being discussed.

Why is this interim measure a tax on turnover and not a tax on profit? Because if it was a tax on profit and a tax on income, we would be speaking of the same corporate tax framework that we are indeed trying to change through the comprehensive solution and long-term solution. So, how can we propose as an interim measure something that is flawed in the same way as the corporate tax rules that we are trying to change? Well we have no other mechanism whereby we can tackle the most urgent gaps which digital companies versus existing corporate tax rules create. That is why we have to propose a tax on turnover, with all the caveats and trying to limit the distortion which this turnover tax may put on the table.

Concerning your last question. I cannot speak about reactions of other jurisdictions. What I can say and what I can repeat again is that this is not a tax on companies and groups of companies or on companies from specific jurisdictions. As I have said, this is a tax that tackles any company that provides these digital services, no matter where these companies are established.

1-024-0000

**Eva Joly (Verts/ALE).** – Mr Chair, I want to ask the OECD representative whether they are not trying to fix what is not fixable. Your own report from a few days ago showed that we have

lost nearly 10 points in the tax rate in 8 years, and I do believe that since we have the BEPS new rules, benefits are going up and corporate taxes are going down, so it shows very clearly that it is a failure. You have done tremendous work, with many meetings on all this, but there is no result because unitary taxation is the only solution. I have even learned that countries that has unitary taxation like Brazil are under pressure by the OECD to give up their unitary taxation to get into this system, which is favourable to the multinationals I believe.

I would like to ask DG Taxud whether, with the reluctance of Germany to push forward with a digital tax, they could tell us the state of play in the discussion and the timetable that they foresee for the adoption of these files.

A question too both parties: Bruno Le Maire has proposed a ‘sunset clause’ for other digital taxation. What is your opinion on this idea?

1-025-0000

**Eric Robert**, *Adviser on BEPS, Taxation and the Digital Economy, OECD*. – Thank you for referring to the recent report, which indeed is a survey of OECD policies and recent tax reform among OECD countries, where obviously it is possible to observe a consistent decline in corporate income tax rates.

As to how this relates to BEPS, here I think it is important to make maybe a few clarifications. There is the fact that under the BEPS project we had a mandate from the G20 to work on BEPS, which is on double non-taxation, which is sometimes known as stateless income. I think it is fair to say that the package of measures that was agreed upon in 2015 and is currently being implemented will deal with double non-taxation, which was a big problem at the time and something that was observable in real life examples. Now, eliminating double non-taxation does not deal with all possible policy issues in the income tax system, and in particular with tax competition. It may deal with some aspects of tax competition, but obviously the BEPS project and the tools that have been designed were not aimed at reframing or dealing with tax competition between countries.

Now, with the new work that we are currently doing – the ongoing work on digitalisation and on nexus and profit allocation rules – the mandate goes beyond BEPS and relates basically to the allocation of taxing rights between countries – between source and residence countries, and also between market jurisdictions and production countries. Here, the mandate is, again, not about tax competition, but it is possible that some of the solutions – depending on what kind of solution comes out of the work and how it is designed – may have the indirect impact of reducing the pressure on tax competition. As an example, I mentioned earlier the group of countries that take the view that current rules [*no audio*] the value being created in the market jurisdictions. If rules were to be amended in order to increase the taxable profits allocated to a market jurisdiction you would allocate taxable profit based on a factor which is less mobile than other factors of production within a supply chain – intangibles are highly mobile within business models, customer sales much less mobile. So, even though the direct objective and the mandate is not about dealing with tax competition, depending on what the final solution might look like it may also may be helpful and have spill-overs on the tax competition issue.

1-026-0000

**Eduard Folch Sogas**, *DG TAXUD, European Commission*. – I will try to be as brief as possible. On the position of Germany, you will understand that it is not for us to explain what the position of Germany is and what the reasoning behind that Member State is. What I can say is that the state of play in Council is that all Member States are engaged in a pro-active discussion about how to make this work. So I think that’s not something to be taken for granted.

Concerning the timing of the adoption, I believe that during the informal Ecofin Council, the Ministers of Finance gave themselves until December to reassess the state of play and the progress made, so I guess that we will keep working hard and then we’ll see how far we’ve got.

Concerning the ‘sunset clause’ I could enter into the reasons why in the legal text of the European Commission as proposed there was no sunset clause but because of time constraints I will refrain from that. I will only say that if that is the only problem that we have hampering the compromise, I am sure that we will find solutions to overcome that specific issue. The sunset clause is not going to stand in the way of an agreement. We are ready to listen and we’re ready to work on this.

1-027-0000

**Martin Schirdewan (GUE/NGL).** – The issue of digital taxation is getting a lot of media coverage in Germany at the moment. Part of that is a reflection of the outcome of the Ecofin Council but the main interest has been in the documents from the Finance Ministry that came to light last week, in which the Ministry took a very critical stance on digital taxation.

I was therefore very pleasantly surprised by the Austrian Finance Minister’s words, which I welcome, at the end of the Ecofin meeting. He said that European-level agreement would be reached, by the end of this year, on putting a stop to tax avoidance in so far as possible and, indeed, potentially on some sort of move towards tax fairness. He also mentioned the concept of a sunset clause – although, if I understood him correctly, that would depend on agreement at OECD level. Mr Robert, how do you rate the chances of achieving a solution along these lines? After all, a lot of doubts have been aired in the course of the discussion. I am also particularly interested in hearing how far the OECD has got with the definition of ‘digital permanent establishment’.

And I have a further question for the gentlemen from the Commission. You mentioned earlier that you had analysed the tax – and it is intended as a tax on turnover. Did you also estimate what scope there would be for passing the burden on – in other words, to what extent consumers and possibly other companies would be affected?

1-028-0000

**Eric Robert, Adviser on BEPS, Taxation and the Digital Economy, OECD.** – I will try to be very brief. On the digital PE issue, what I can say is that the Interim Report identified nexus as part of the problem, and therefore work is being carried out on potential modifications to nexus in order, maybe, to make it less related to – and unconstrained by – physical presence requirements.

I think that something that is important, and that can be read in between the lines in the Interim Report, is that there is a recognition within the Inclusive Framework today that the major issue is not maybe about nexus, but about profit allocation, because no matter how you amend nexus, no matter whether you design a digital presence, be it a significant economic presence or something else, if you do not have any profit to allocate to that new taxable presence then it is a pointless exercise.

This is why we have reverted the discussion and the priorities. Now the focus of our work is on profit allocation and what changes are needed there, and then – depending on what changes we could agree upon in that space – we may consider modifications to nexus flows.

1-029-0000

**David Coburn (EFDD).** – Mr Folch Sogas stated, at the very beginning, the very obvious thing that corporate taxes are indeed obsolete. So why, sir, this obsession with taxing everything? Economic activity in itself is useful – employing people, buying and selling goods, etc. – but you seem to be doing handstands to desperately tax businesses just for the hell of it.

Is it not better to reduce taxes on independent high street shops so that they can compete? Big multinational corporations will always find a way of not paying the full amount. This is just common sense. Anyone who has ever been in business knows this. Doesn’t anyone work in



business in the Commission? Obviously not. Only the little guy gets hit with the full force of taxes.

Surely, sir, abolition of corporate tax and reliance instead on income tax is the fairest way to ensure that each individual pays their due. Do you not realise that corporates do not pay taxes, they just pass the costs on to customers? So you are not taxing them, you are just taxing customers more. Where is the sense in that? If it moves, you tax it, if it keeps moving, you regulate it.

I just do not understand. On Wednesday we are voting on imposing even more stupid measures – censorship filters and others – which will further burden innovative companies that make our lives better. Do you think that taxing these companies is going to improve competition in Europe? I think not. And what for? So you can spend even more money on bureaucrats for this legislative sausage machine. Thank God the UK will be leaving. We will attract innovative companies. I just don't understand. Are there no business people actually in the Commission who understand this? This is simple: ordinary people understand.

1-030-0000

**Chair.** – Thank you. The Commission – and the business people – do you want to comment or answer?

1-031-0000

**Bart Van Raaij, DG TAXUD, European Commission.** – Well, I think your question refers to the broader debate about corporate income tax and I think that is outside the scope of this discussion.

1-032-0000

**David Coburn (EFDD).** – You seem to be doing this just for the hell of it. There doesn't seem to be any purpose. You know you can't tax these companies. They will always get round it, so why waste your time?

1-033-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – I think what we are trying to say is that we are not here to enter into a philosophical debate about whether modern states need taxes to sustain themselves. We are here to present a very specific issue about digital taxation, and you have not even referred to the problem that we presented at the beginning.

1-034-0000

**Evelyn Regner (S&D).** – Will the digital services tax on its own actually achieve anything? Do we not need the whole package – public country-by-country reporting (CbCR), the common consolidated tax base (CCTB) – and the DST as well? Some of our Finance Ministers are strolling around at the moment talking about tax fairness and digital taxation – which sounds really nice and modern – but then we see that it's just a facade: so we need the whole package. My second question is about the Ecofin Council. Is the end of the year not too far off for reaching an agreement? It might sound great, because of course time is pressing and that timescale seems fairly tight, but there are some Member States – quite a few in fact – who are planning to go it alone, in all sorts of directions, not all of which will be effective. Austria, with the advertising duty is one example, but there are obviously others.

1-035-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – Concerning your second question – sorry, but I couldn't venture into discussing [*no audio*] it or maybe not soon enough. We are going to work hard to get that agreement as soon as possible.

Part of the reason why we are actively engaged on this file – and I think that public opinion has realised the urgency – is that indeed interim measures are there, they are there to stay, and there are many more in the pipeline. So that is just putting on more pressure for EU action.

Maybe, Bart, you want to comment on the first question?

We are not quite sure about the first question, sorry.

1-036-0000

**Evelyn Regner (S&D).** – The full programme, so somehow – I mean, of course we are talking about digital tax right now – but somehow the digital tax and the definition of the digital establishment are just one part of the equation. In order to get the whole ship on track, somehow it needs more, the whole package. That is my question to you.

1-037-0000

**Bart Van Raaij, DG TAXUD, European Commission.** – Well, of course the rules on the digital PE should be included and incorporated into the CCTB and in the CCCTB, but legally it is not possible for the Commission to amend a proposal that is still under discussion in the Council. But that does not mean that the CCCTB or the CCTB proposals cannot be changed. I mean, they can be changed in Council and we, of course, will encourage adapting the rules on the digital PE and on the apportionment formula to the needs of the digital economy.

1-038-0000

**Chair.** – That brings us to catch-the-eye, although there is not much time. There are two requests, from Ms Perez and Ms Gomes, so if we can combine the question, then let's do it fast. Let's start with Ms Perez.

1-039-0000

**Pervenche Berès (S&D).** – I wish to thank the interpreters for staying and allowing everyone to express their views. Chair, it is very difficult to participate in the work of this committee when you do not have an official role, when you have to wait to speak and when it is quarter to ten at night.

I will come to my point, following on from what our co-rapporteur Jeppe Kofod said, particularly to the OECD. You indicated there seems to be a climate of optimism offering an opportunity to move forward in your work, but should one not simply recognise, on the one hand, that the momentum achieved within the European Union and at the initiative of the Commission is contributing to that optimism? Moreover, given your organisation's constraints and the difficulty of taking a swift initiative in this area, rather than trying to torpedo the Commission proposal, would you not do better to base yourself on it, to ensure that it takes shape as quickly as possible, by the end of this term, and serves as the basis for a dynamic which could be furthered within your organisation?

1-040-0000

**Ana Gomes (S&D).** – Mr Sogas, you said that to avoid double taxation, a deduction in corporate income tax could be contemplated, but would that not actually frustrate the aim of digital taxation? If you were talking, for instance, about a big company with a presence in an EU Member State – say Apple in Ireland – paying ridiculous tax for corporate taxation and then you are actually going to deduct the 3%? It doesn't make sense.

1-041-0000

**Eduard Folch Sogas, DG TAXUD, European Commission.** – First of all, corporate taxes are a national competence. That is why this is not part of the proposal as it is. However, we acknowledge that, again, some scenarios may involve both companies established in a Member State – and therefore subject to corporate income taxes in a Member State – having to pay also DST in that Member State, because we have to apply the tax domestically due to legal constraints which have to do with the fundamental freedoms laid down in the Treaty.

We see no problem, because if – even a – non-Union company is subject to DST and is subject to no corporate income tax, it would not be able to deduct anything from the corporate income tax base, which would be non-existent. We are saying that this digital business would not be seen as having a digital physical presence in a Member State. Therefore – and that is the problem that we are trying to solve – that company would effectively pay no corporate income

tax in that Member State. If there is no corporate income tax base, there is nothing from which anything can be deducted.

As for the other question.

When there is a presence in a Member State, we cannot make a distinction between companies. If there is a presence in a Member State, then the corporate taxation that is being paid already indicates that the company is paying in the jurisdiction where value is created. Therefore, that is not the scenario that we are tackling. We are saying that if a company is already subject to corporate rules, surtaxing according to DST could be distortive in certain scenarios.

That is why we make a distinction between the case where a company is already playing by the rules in the jurisdiction where the users are, where value is created, where taxes are due according to the international principle that taxes are due in the jurisdiction where value is created, and the scenario where a company is doing business in jurisdictions where it is not physically established and where, therefore, it is not subject to any corporate taxation whatsoever.

1-042-0000

**Eric Robert**, *Adviser on BEPS, Taxation and the Digital Economy, OECD*. – With regard to the EU's role in our work, please accept my apologies in advance if my previous remarks suggested that the EU has not had a decisive role, including in the positive momentum we now have in the working group, since clearly the EU and many EU Member States have played a leading part in the discussions and in the launching of discussions on the various issues linked to the digitalisation of the economy. I refer, for example, to France, with the Colin and Collin report, which is clearly a driving force in the discussions on such matters. France co-chairs our working group and as such plays a key role. The EU, notably the Commission, is an observer in the working group and therefore has access to all our working documents. It is an active member of the working group and, therefore, it is important to give to Caesar what is Caesar's, in this case the positive role the EU, in the broad sense of the term, has played since the inception of the BEPS project. With regard, more specifically, to the Digital Service Tax (DST) proposal, I would again like to apologise if I mistakenly suggested that I wanted this Commission proposal, as our intentions are far from that. I have described what is stated throughout the interim report, which is that there is no consensus on whether such a measure would be worth taking, that much is true, but at the same time – and this is explicitly recognised in our interim report – sovereign states are actually free to adopt such measures after having weighed up the pros and cons and deciding whether they are worth taking. A study has been conducted on the potential economic distortions associated with such a measure, precisely with a view to informing the legislator on whether it is a good idea to adopting it or not. But nothing has been said, and no decision reached on whether that measure would be worth taking and appropriate nor, more particularly, on the Commission's proposal to introduce a DST.

1-043-0000

**Chair**. – I will refrain from making any conclusions. I would just say that this issue clearly needs further exploring in this Committee, and in the Committee on Economic and Monetary Affairs.

I would say from the procedural point of view that there are no special rules in these committees when it comes to order of speakers, and in every committee, when there is an interesting topic in a public hearing, we struggle to keep within the time limit.

For the sake of the Committee members I will announce that the next meeting will take place on 26 September at three in the afternoon.

I would like to thank our speakers, Mr Folch Sorgas from the Commission, Mr Van Raaij from the Commission and Mr Robert from the OECD. I would also like to thank the members and the interpreters. That concludes the meeting.

*(The meeting closed at 21.57)*