

MEPs lay out plans for a tax system fit for the digital age

MEPs called for a reset of outdated international tax rules, including the setting of a minimum effective corporate tax rate and that the EU should go it alone if global negotiations fail.

The calls come in the form of a resolution adopted by MEPs of the economic and monetary affairs committee on Tuesday by 48 votes in favour, 4 against and 6 abstentions. Reacting after the vote its rapporteurs said:

[Andreas Schwab](#) (EPP, DE)

“We have asked the US to accept that a common system is needed, where no "safe harbour" rules apply. We need to fight together for a solution at the G20/OECD level.

If a global solution is not possible, the EU should make a move now. It's time for the legislator to shape a clear and complete digital tax policy in the EU: minimum taxation across the EU, no market distortions due to national toolboxes, and tax certainty for digital companies that will benefit from harmonised and fair digital taxation.”

[Martin Hlaváček](#) (Renew, CZ)

“We want to ensure for our citizens that digital companies making large business in Europe pay their fair share of contributions to our public finances, regardless of their physical presence. In absence of an OECD agreement with our external partners by July 2021, the European Parliament will make sure that the Commission presents our own European solution without any delays.”

Archaic rules not fit for the digital age

MEPs note that the current international tax rules date back to the early 20th century, with the emphasis on physical presence and next to no factoring in of digitalisation of business. The result is that taxes paid in one jurisdiction no longer reflect the value and profit created there, leading to Base Erosion and Profit Shifting, the resolution says. The rules have also led to traditional companies being taxed on average nearly 3 times as much as digital businesses.

Main proposals

To remedy the existing discrepancies and increase fairness, MEPs make a number of suggestions.

They call for a minimum effective tax rate to be set at a fair and sufficient level to discourage profit shifting and prevent damaging tax competition.

They also call for a reallocation of taxing rights to reflect that the interaction with users and consumers by businesses as a result of digitalisation significantly contributes to value creation in highly digitalized business models.

Finally, MEPs insist that the EU should develop its own fall-back position which would kick-in if global negotiations do not yield results by the end of the year. As a first step this fall-back position would include a digital services tax.

Next steps

The resolution will now be tabled for a plenary vote, expected at the end of April.

Further information

[Committee on Economic and Monetary Affairs](#)

[Subcommittee on tax matters](#)

[EP research document: Taxation of the digital economy - latest developments \(December 2020\)](#)

Contacts

John SCHRANZ

Press Officer

☎ (+32) 2 28 44264 (BXL)

☎ (+33) 3 881 74076 (STR)

📱 (+32) 498 98 14 02

✉ john.schranz@europarl.europa.eu

✉ econ-press@europarl.europa.eu
