


# POSITION PAPER



## **Digital tax: EC roadmap**

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ESBG welcomes the opportunity to comment on the EC's Roadmap. In our opinion, it is most important that a precise distinction is made as to which companies are to be covered by the digital tax. Therefore, this differentiation should primarily be done based on the core business of a company and based on how the business is conducted. Secondly, any potential up-coming definition of digital activities might be used as a differentiation criterion.

We are convinced that companies should be out of the scope of any digital levy if they have

- one or more branches with on-site sales personnel,
- face-to-face customer service and
- whose core business is not based on the provision of digital services

Furthermore, it is completely unclear on which tax base the digital tax should be levied. It makes a big difference whether an income tax or a transfer tax is designed. At this point in time, without any draft legislative texts, the intention of the EU Commission cannot be assessed at all. We believe that a design based on income tax and a link to income taxable revenues make no sense. Because the income tax burden of companies exclusively active in digital business transactions is generally very low due to the lack of, and moreover, controversial definitions of a company's presence, its permanent establishment. Furthermore, the determination of the income tax base is completely different depending on the Member State where the companies have to be charged. Beyond that, in the case of internationally active companies the issue around the permanent establishment would be almost impossible to manage. Thus, it can be assumed that all Member States involved would claim a share of the tax revenue for themselves (see also below).

Similarly, after years of efforts to establish a Common Consolidated Corporate Tax Base (CCCTB), a "profit sharing method" is, in our opinion, doomed to fail. Therefore, a "top-up" on the current corporate income tax" has to be ruled out. A transfer tax would be conceivable, which would ultimately be linked to the turnover within the EU (and the location of the recipient of the service, regardless of whether it is B-2-B or B-2-C) and would have to be paid in a simple procedure, if possible at source by way of deduction - which would be the most efficient way - or by way of assessment by the digital company providing the service. The registration obligation of "platforms" for VAT purposes within the framework of the "e-commerce package" also goes in this direction.



## About ESBG (European Savings and Retail Banking Group)

ESBG represents the locally focused European banking sector, helping savings and retail banks in 21 European countries strengthen their unique approach that focuses on providing service to local communities and boosting SMEs. An advocate for a proportionate approach to banking rules, ESBG unites at EU level some 900 banks, which together employ more than 650,000 people driven to innovate at roughly 50,000 outlets. ESBG members have total assets of €5.3 trillion, provide €1 trillion in corporate loans (including to SMEs), and serve 150 million Europeans seeking retail banking services. ESBG members are committed to further unleash the promise of sustainable, responsible 21st century banking. Our transparency ID is 8765978796-80.



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