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Estonian Presidency of the Council of the European Union
Priorities of the Estonian Presidency
Priorities of the Estonian Presidency

• VAT

• EU common list of non-cooperative third country jurisdictions

• Opening the discussion on the challenges of digital economy (outside VAT)
• Concentrating our efforts on VAT e-commerce package
  • Ministers will be invited to have a discussion in Ecofin

• Due care will be taken of the proposals on reduced rate on e-publications and General Reverse Charge Mechanism

• Opening of discussions on VAT September package – definitive regime and review of the VAT rates
EU common list of non-cooperative jurisdictions

• Preparation for the endorsement by ECOFIN in december

• Taking forward the work at the Code of Conduct subgroup level with the aim to reach consensus on the following issues:
  • Procedural questions – notification, de-listing, monitoring
  • Defensive measures
Digital Economy

• Trying to unlock OECD discussions in finding real solutions;

• Building a lot on the work of OECD, therefore the process is complimentary, not duplicative;

• Concentrating at: virtual permanent establishment, big data and sharing economy;

• Main focus on virtual permanent establishment;
Why talk about taxation and digital economy?

- Global economy is rapidly becoming digital
- Tax rules are still ‘physical’ -> mismatch -> competitive disadvantage for ‘physical’ businesses
- Not taxing profits from digital business models means less tax revenues for states
- Losing tax revenues leads to unilateral domestic tax rules -> 28 sets of different rules for businesses operating in the Internal Market -> over- and multiple taxation

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What can we do?

• Debate on EU level – how to modernise tax rules for genuine digital business models
• NOT talk about taxing big MNEs, but business models using digital solutions
• NOT concentrate on BEPS, but on businesses that do not need physical presence or assets
• NOT abandon the principle of ‘taxing where value is created’
Way forward

• Numerous working groups;

• Realistically aiming to common understanding on the problems and possible solutions, not to an agreement on the solution;

• Outcome of the discussions during EE PRES is input to OECD.
Sharing economy

• Sharing economy is not something completely new for taxation;

• Problem of taxation is in rapidly growing new business models;

• Starting point is tax obligation and taxpayer => no such thing as taxation of sharing economy;

• Taxation of (free) platforms vs taxation of platform users (providing free services).