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Estonian Presidency
of the Council of the
European Union

Priorities of the Estonian Presidency

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- VAT
- EU common list of non-cooperative third country jurisdictions
- Opening the discussion on the challenges of digital economy (outside VAT)

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

What can we do?

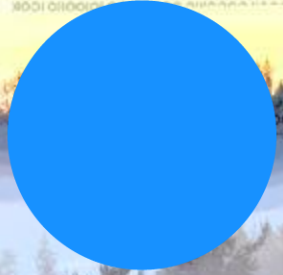
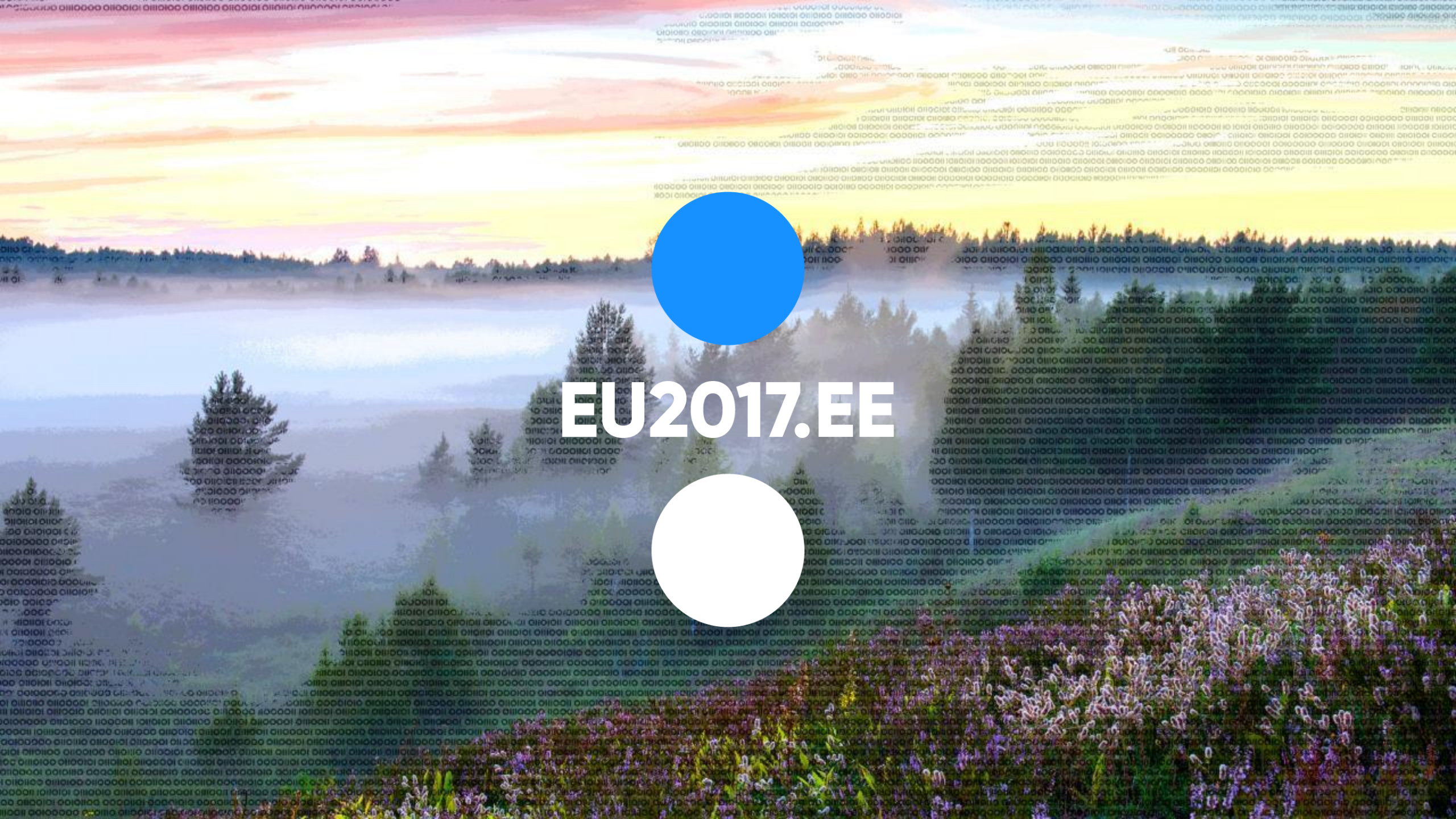
- Debate on EU level – how to modernise tax rules for genuine digital business models
- NOT talk about taxing big MNEs, but business models using digital solutions
- NOT concentrate on BEPS, but on businesses that do not need physical presence or assets
- NOT abandon the principle of ‘taxing where value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



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