

On behalf of the Public Affairs Executive (PAE) of the EUROPEAN PRIVATE EQUITY AND VENTURE CAPITAL INDUSTRY

Response to the European Commission's [Consultation](#) on Digital Levy

Current problems

Question 18 - To what extent are the tax systems in the EU adapted to the challenges of a global and digital economy?

Please choose between: (only one option possible)

- To a great extent
- To some extent
- To a little extent
- Not at all
- Don't know

Answer:

To some extent.

Question 19 - To what extent do you agree with the following statements on digital companies:

Answer:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
Digital companies have created useful innovations and it is justified that they make large profits.		X				
Users participate in the creation of value of digital companies, e.g. by sharing their data.		X				

Many digital companies are emerging from the Covid-19 health crisis more profitable and with larger market shares.						X
Digital companies benefit from the EU single market.		X				
Digital companies are treated differently by governments than non-digital companies of similar size.		X				

Question 20 - To what extent do you agree with the following statements regarding taxation in the digital economy:

Answer:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
In the digital economy some digital activities are taxed less than non-digital economic activities.		X				
The sale of user data by digital companies should be taxed.					X	
Many digital companies do not pay their fair share of taxes.						X
Tax authorities are not able to appropriately collect taxes on digital activities.						X

Question 21 - What are the most important taxation challenges that digitalisation brings for businesses?

Please rank from 1 to 5 (1 being the most important challenge)

Answer:

	1 (most important)	2	3	4	5 (least important)
Disadvantage for traditional businesses compared to digital competitors because of a different tax treatment.				X	
Uncertainty related to tax obligations when operating in different countries.		X			
Uncertainty related to future taxation solutions for new business models.			X		
Difficulties in identifying profits for different digital activities.					X
Other (please specify)	X				

Question 22 - Please specify:

Answer:

The risk of diverging regimes at EU and international level is a huge challenge for businesses. Therefore, it is crucial that a potential digital levy proposal is consistent with and builds on the OECD work on Pillar 1 and Pillar 2. Having two different regimes - one at EU level and one at international level - would increase the complexity and compliance burden and the risk of double taxation. This could also lead to a situation where investments in the EU are more expensive and less attractive than in other territories, which would be to the detriment of the EU economy and EU companies depending on those investments. Therefore, we urge the European Commission not to push forward an EU only proposal as long as work is still ongoing in the OECD on Pillar 1 and Pillar 2.

Question 25 - There are several national approaches now to taxing digital companies. Are you aware of such measures?

Please choose between: (only one option possible)

- Yes
- No
- Don't know

Answer:

Yes.

Question 26 - For which EU countries are you aware of national approaches to the taxation of digital companies?

Please choose between: (multiple choices possible)

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czechia
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece
- Hungary
- Ireland
- Italy
- Latvia

- Lithuania
- Luxembourg
- Malta
- Netherlands
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden

[Answer:](#)

France.

Question 28 - How do you view the effort by individual EU countries to tax the digital economy?

To what extent do you agree with the following statement:

[Answer:](#)

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
EU countries face a specific, domestic context when it comes to digital activities on their territory and should be addressing these issues at national level.				X		
EU countries' policies would be more effective if coordinated on an EU level.		X				
A divergence between national policies risks fragmenting the European single digital market, and making these policies less effective.	X					

Possible solutions

Question 29 - On what level do you think the problem of taxation of the digital economy is best solved?

Please respond by ranking options in the order of importance/appropriateness (1 being the most important/appropriate)

Answer:

	1 (most important)	2	3	4	5 (least important)
Subnational level				X	
National level			X		
EU Level		X			
Multilateral agreement involving countries beyond the EU	X				
A combination of the above					X

Question 32 - How important do you consider the following objectives of the digital levy proposal?

Answer:

	Very important	Important	Not important	Don't know
To increase legal certainty for companies.	X			
To ensure equal treatment among digital companies - both foreign and EU-based - operating in the EU.	X			
To level the playing field between traditional companies and digital companies operating in the EU.				X

Question 33 - Please select from the following list the activities which you think should be considered as digital activities in the context of a legislative measure:

Please choose between: (multiple choices possible)

- Online social networking services financed by advertisement or sale of user data
- Online social networking services financed by subscription fees
- Online search engines
- Online advertising services
- Number-independent interpersonal communication services
- Online gaming financed by advertisement or sale of user data
- Online gaming financed by subscription fees
- Standardised online teaching financed by advertisement or sale of user data
- Standardised online teaching financed by subscription fees
- Online intermediation services
- Online intermediation platforms for accommodation

- Online intermediation platforms for mobility
- Online intermediation platforms for utilities and communication (price comparison platforms for gas, electricity, phone etc.)
- Streaming of content (music and/or video) financed by subscription fees
- Streaming of content (music and/or video) financed by advertisement
- Online news outlets financed by subscription fees
- Online news outlets financed by advertisement
- Online sale of physical goods
- Online sale of physical services (plane ticket, hotel room, cleaning lady etc.)
- Online sale of software
- Cloud computing services
- Sale of user data
- Other (please specify)

Answer:

Other (please specify)

Question 34 - Please specify:

Answer:

We find it crucial to stress that funds and fund management services should not be considered as digital activities in the context of a legislative measure. First and foremost, the fund management industry is not highly digitised and is not based on the use of digital technology or intellectual property held outside home jurisdictions to enable remote selling. Fund managers are very much linked to their home jurisdiction, and the value provided by fund management services reflects time spent by investment professionals in their home jurisdiction. Furthermore, fund management services are provided to the funds or their general or managing partners, which are business entities, and therefore the customers of such services are not consumers. Therefore, funds and fund management services should not be included in the scope of a potential digital levy.

Question 35 - How important do you see the following issues in the design of the taxation measure under consideration?

Answer:

	Very important	Somewhat important	Not important	I don't know
The definition of digital activities or digital companies, which are subject to the tax.	X			
The type of tax envisaged (e.g. whether it would be a tax on specific activities, transactions, turnover or profits).				X
The ability of the tax to cover companies with residency inside and outside of the EU.				X

Fairness considerations, taking into account the possible impact on small and medium-sized enterprises (SMEs), digital companies with a dominant versus weak market position, or consumers.		X		
Potential behavioural reactions to avoid the payment of the new tax.				X
Potential additional tax reporting requirements on companies.	X			
Additional administrative requirements for relevant tax authorities.				X

Question 36 - The accelerated development of the Digital Union will be characterised by the creation of fast growing companies albeit often accompanied by multiple failures. Against this background please indicate how you consider that Small and Medium Sized Enterprises (SMEs) should be treated by the current digital levy proposal.

Answer:

	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	I don't know
SMEs should be excluded from the scope of the tax.		X				
SMEs should benefit from an exemption.		X				
SMEs should face a lower tax burden (e.g. through an allowance) than larger companies.		X				
SMEs should not be treated differently than larger companies.				X		

Question 37 - What would you consider the minimal economic activity (in terms of revenue) a digital company should have in the EU in order to be liable to the digital levy?

Please choose between: (only one option possible)

- EUR 500 thousand
- EUR 1 million
- EUR 5 million
- EUR 10 million
- EUR 20 million
- Other, please specify
- Don't know

Answer:

Other, please specify

Question 38 - Please specify:

Answer:

As aligned with the OECD approach as possible.

Contact

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About the PAE

The Public Affairs Executive (PAE) consists of representatives from the venture capital, mid-market and large buyout parts of the private equity industry, as well as institutional investors and representatives of national private equity associations (NVCAs). The PAE represents the views of this industry in EU-level public affairs and aims to improve the understanding of its activities and its importance for the European economy.

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