EU Parliament - New EU corporate tax plan embracing "digital presence"

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In brief:

European Parliament approve new EU corporate tax plan which embraces "digital presence". Proposed provisions ought to create a single, clear and fair EU corporate tax regime. There will be also elaborated the list of benchmarks to determine firm's "digital presence" and tax liabilities. The resolutions will now be passed on to the Council and Commission for their consideration.

Detailed information

Firms would be taxed where they earn their profits

According to the planned regulations, firms would be taxed where they earn their profits - under a new harmonized system which uses the online activities of digital firms to calculate their tax bills. As part of the adopted solutions, the European Parliament proposes the Common Consolidated Corporate Tax Base (CCCTB). The directive will define a set of uniform rules that will help in calculating the taxable profit in all European Union countries.

Common Consolidated Corporate Tax Base

A separate, complementary measure which creates the basis for the harmonised corporate tax system is the Common Corporate Tax Base. This change aims to introduce the principle of consolidation of profits and losses in individual subsidiaries or subsidiaries and the distribution of the consolidated base between eligible Member States, in accordance with their tax rates.

"Digital presence"

Together, the two measures are aimed at plugging the gaps which have allowed some digital and global companies to drastically reduce their tax bills or avoid paying taxes where they create their profits. This would partly be achieved through proposed benchmarks which would identify whether a firm has a "digital presence" within an EU member state, and is therefore liable for tax.

Parliament also wants the EU Commission to set those benchmarks (such as the number of users or the volume of digital content collected) to produce a clearer picture of where a company generates its profits. Personal data is a highly valuable asset mined by companies like Facebook, Amazon and Google to create their wealth, but it is currently not considered when calculating their tax liabilities. The report of EU Commission containing detailed solutions will be published next week.

One-stop shop for tax

Once the proposals take effect, a single set of tax rules would apply in all member states. Firms would no longer have to deal with 28 different sets of national rules, and would only be accountable to a single tax administration (a one-stop shop).

Digital tax in Poland

In response to the above-mentioned initiative at the EU level, the Polish Ministry of Finance announced this week a plan to tax revenues obtained by digital enterprises. Currently, the only public information is the proposed tax rate - 2-3% of turnover from digital activity.

What's in it for me?

Upcoming changes will revolutionize the way of taxing revenues obtained by legal persons. EU Commission's fast pace of work indicates that there is a pressure to implement the new solutions as soon as possible. Entrepreneurs conducting digital business should monitor the process with caution and prepare itself for an increase of tax burdens.

Let's talk

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