



EUROPEAN COMMISSION

DIRECTORATE-GENERAL  
TAXATION AND CUSTOMS UNION

Brussels, 18 December 2013

## COMMISSION EXPERT GROUP ON TAXATION OF THE DIGITAL ECONOMY

### Meeting 12 December 2013 - Summary Record

#### **Present:**

<u>Chair</u>	Mr V. Gaspar
<u>Members</u>	Mr Collin, Mr Devereux, Ms Walsh and Mr Westberg
<u>Commission representative</u>	Mr Zourek
<u>Secretariat</u>	Commission Services
<u>Absent</u>	Mr Snabe <sup>1</sup> and Ms Varrak

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#### **1. Opening**

The Chair welcomed all at the opening meeting of the Group and elaborated on his aims and goals for this meeting and until the end of the Group's term. All Group members introduced themselves and the Commission representative gave some background information on the purpose of having established this group.

Commissioner Šemeta and Director-General Madelin – on behalf of vice-President Kroes – addressed the Group, thanked them for their willingness to contribute to the work of the Commission, highlighted their priorities and expectations and wished them wisdom and success in their challenging task.

#### **2. Agenda**

The group agreed the agenda of the meeting.

#### **3. Rules of Procedure**

The Group discussed and agreed its Rules of Procedure. The Group agreed that working documents as well as the summary record of the meeting will be published on a dedicated

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<sup>1</sup> Mr Snabe was able to dial in at the end of the Group meeting to update on discussions and share his ideas.

website to ensure full transparency. The Group also decided that in view of its short lifetime, communication will wait until the presentation of the final report.

#### **4. Digital economy and Taxation - General issues**

On the basis of a note prepared by the Secretariat, the Group elaborated on the development of the digital economy over the past years and on future trends. It discussed the difficulties of defining the digital economy, how these difficulties affect the mandate of the Group and how they could be overcome. It noted various characteristics of the digital economy and it discussed the possibility to see digitalisation as a process affecting the way the economy operates rather than as a distinct part of the economy. It also emphasized the potential of this process to stimulate innovation and growth.

The Group discussed various business models and concepts that are used within the digital economy and analysed these from different angles. One general feature is the systematic use of data on individual users of digital services. Another is the attrition of borders and distinctions hitherto important for taxation and regulation, including between different sectors of the economy. The global nature of the internet impacts on fundamental distinctions including domestic vs. foreign, tangible vs. intangible, goods vs. services, direct vs. indirect taxation and consumption vs. production.

The Group then discussed the implications of these evolutionary dynamics for existing taxation systems. The Group distinguished between two questions: a) how to apply existing tax systems at national and international levels to a new, evolving and increasingly digital economy; b) how to design a stable and robust tax system in face of the economic transformation associated with the increasing relevance of digital technology.

#### **5. Scoping the work of the group**

On the basis of a note prepared by the Secretariat, the Group examined which issues would need to be addressed in its final report, taking into consideration its mandate as laid down in the Commission Decision establishing the Group. The note was well-received.

An important part of its work will be on issues related to international direct taxation where there are huge international issues that need to be considered. The Group agreed on the need to progress in parallel with the G20/OECD Project on Base Erosion and Profit Shifting.

The Group noted an interest to address practical VAT issues related to the digital economy both with a view to making life easier especially for consumers and small and medium sized enterprises and to safeguard the proper collection of VAT due. Future developments such as the introduction of a Mini One Stop Shop may provide opportunities in that respect for the EU. It may even prove a workable concept on a global scale.

The Group also observed that maintaining or improving a business friendly tax framework is especially important for the digital economy in the EU. The role of start-ups and young, innovative companies is crucial.

The Group agreed that its final report would need to be built on solid empirical evidence. Evidence will be analysed on the basis of principles and concepts so as to identify policy options. Policy options need to be considered in their institutional context in order to assess their political feasibility.

## **6. Roadmap**

The Group discussed the future organisation and planning of its work on the basis of a draft Roadmap prepared by the Secretariat. The Group agreed that the Roadmap has very much a preliminary character at this stage and will develop as the work of the Group progresses. It discussed ways to ensure alignment of its work with global developments, notably within the G20/OECD and for that purpose agreed to have its next meeting in Paris on 14 and 15 January 2014. It also discussed the possibility to invite further outside experts to future meetings of the Group and tentatively agreed future meeting dates: 13-14 March 2014 (2 full days) and 24-25 April 2014 (1.5 days starting the afternoon of the 24<sup>th</sup>).

## **7. AOB**

The Group agreed that the Secretariat would rapidly draft and circulate the Summary Record of the meeting for approval by the Group to ensure full transparency of the Group's work.

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