



EUROPEAN COMMISSION

DIRECTORATE-GENERAL  
TAXATION AND CUSTOMS UNION

Brussels, 21 January 2014

## COMMISSION EXPERT GROUP ON TAXATION OF THE DIGITAL ECONOMY

### Meeting 14-15 January 2014<sup>1</sup> - 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 and Ms Varrak

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#### **1. Adoption of the Agenda**

The group agreed the agenda of the meeting. The Chair emphasised the importance of this meeting in terms of organising its work in order to have draft texts available for its next meeting on 13/14 March in line with the Roadmap to ensure a timely delivery of its final report.

#### **2. Digital economy – Facts and figures**

The Commission services gave an oral introduction describing the size, relative importance and developments of the digital economy. The group agreed to build on this introduction by preparing a document which covers, inter alia, how the rise of ICT has transformed the EU and global economy and will continue to do so in future. The group considered it useful to analyse further what the implications of this transformation are for both indirect and direct taxation. Such an analysis will need to be underpinned by data. The group agreed that neutrality had to be a fundamental aim when discussing best ways to tax the digital economy. It agreed that more research was needed to assess if and where current taxation rules lack neutrality and how such inconsistencies could best be

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<sup>1</sup> The Group also held a working dinner on the 14<sup>th</sup> in the evening. Following an introduction by Ms Marie Ekeland from Elaia Partners, the group discussed various issues related to investments in start-up companies, especially those working in the digital economy.

addressed, or whether certain circumstances might suggest that a departure from neutrality, such as specific incentives, is desirable.

### **3. Digital Economy and VAT**

On the basis of a Working Paper prepared by the Secretariat, the group discussed how the digitalisation of the economy with the rise of e-commerce, has implications for the principles underlying the VAT system operated in the EU. The group took note of the new rules concerning the supply of electronic services that will enter into force in 2015. These rules will set the destination principle as the rule for telecommunication, broadcasting and electronically provided services and will be combined with a Mini One Stop Shop (MOSS) to facilitate administration for businesses. The group deliberated on how the scope of the 2015 system could potentially be extended at a later stage. The group also agreed that following these amendments challenges remained present for tax administrations in the area of enforcement and IT.

The group deliberated more in general on the question to what extent these developments could be the basis for further improvements of the VAT system in the EU on the medium and longer term. The group also agreed to further consider how EU experiences, achievements and future suggestions could also serve as a potential standard for indirect tax systems operated outside the EU.

### **4. Interaction of the group's work with the OECD**

On the basis of a presentation by Mr Jesse Eggert from the OECD, the group took stock of current work undertaken in parallel at G20/OECD level by the OECD Taskforce on the Digital Economy. The group was informed on the OECD's current state of play and its future organisation of work related to the digital economy and how that relates to more general actions concerning BEPS. The group reflected how this information relates to its own mandate and to the scope of its own work. The group agreed on the desirability for compatibility between solutions to be suggested by the OECD and the policy options that it will produce itself.

### **5. Business models**

The group welcomed a presentation given by Mr Simon Hampton, formerly from Google, who specifically focussed on the business model conducted by search engines in the digital economy. Mr Hampton also touched in more detail on various business models operated by companies in the digital economy, what the exact value drivers within these business models are, how they have developed in the past and how the further digitalisation will transform many traditional ways of doing business. On that basis, the group deliberated on how these developments relate and may have implications for the current international system to determine liability to corporate income tax.

### **6. Refine the scope of the Group's work**

Building on the consensus reached at the first meeting, the group held a more detailed debate on the major components of its final report, notably (1) an introductory part, (2) a section providing the context for the report, describing developments and including background data and figures, (3) a section describing the institutional context in which tax regulation at national, EU and international level is developed, and (4) a section describing a range of policy options with their respective pros and cons.

The group further agreed a division of work and tasks and clear deadlines for delivering contributions well in advance of the next meeting.

### **7. Update of the Roadmap**

The group agreed on the need to update its Roadmap on the basis of the discussions during the meeting and in particular the refined scope of the group's work.

### **8. AOB**

The group confirmed its next meeting for 13/14 March and asked the Secretariat to rapidly draft and circulate the Summary Record of the meeting for approval by the group as well as to confirm the division of work and the update of the Roadmap. To ensure full transparency of the group's work, the working paper, the agenda, the updated Roadmap and the Summary Record for this meeting will be published on the group's website in due course.

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