



Council of the
European Union

Brussels, 23 May 2018
(OR. en)

9052/18

FISC 216

NOTE

From: General Secretariat of the Council
To: Delegations
Subject: Bulgarian Presidency digital taxation roadmap

Following the comments of delegations at the meeting of the High Level Working Party (Taxation) on 16 May 2018, delegations will find in the Annex the updated Bulgarian Presidency digital taxation roadmap.

BULGARIAN PRESIDENCY ROADMAP ON THE DIGITAL TAXATION PACKAGE

I. INTRODUCTION

1. On 19 October 2017, the European Council in its conclusions¹ underlined the "*need for an effective and fair taxation system fit for the digital era.*"
2. On 5 December 2017, the Council (ECOFIN) adopted its conclusions on "Responding to the challenges of taxation of profits of the digital economy."
3. On 21 March 2018 the Commission presented the "digital taxation package:"
 - i) a proposal for a Council Directive laying down rules relating to the **corporate taxation of a significant digital presence** (based on TFEU Article 115, further referred to as "SDPD");
 - ii) a Commission **Recommendation** relating to the corporate taxation of a significant digital presence;
 - iii) a proposal for a Council Directive on the **common system of a digital services tax** on revenues resulting from the provision of certain digital services (based on TFEU Article 113, further referred to as "DSTD");
 - iv) a **Communication** "Time to establish a modern, fair and efficient taxation standard for the digital economy".

¹ Doc. EUCO 14/17.

4. Following the presentation of the digital taxation package by the Commission and initial exchange of views by Member States in the informal meeting of ECOFIN ministers, Committee of Permanent Representatives and High Level Working Party on Tax Questions, the Presidency sets out the roadmap on the way forward regarding work on the digital taxation package for the remainder of the Bulgarian Presidency term.
5. The Presidency deems appropriate that the highest degree of priority is granted to the digital taxation package in the coming months of work in the Council and its preparatory bodies.

II. WAY FORWARD

- a) *Proposal for a Council Directive on the **common system of a digital services tax** on revenues resulting from the provision of certain digital services ("DSTD")*
6. Many Member States deem it appropriate that the EU takes temporary measures in the area of taxation of digital economy in a co-ordinated manner before a solution at a global level is reached.
7. With this objective in mind by June 2018 the Presidency intends to carry out a first round of detailed technical analysis of the DSTD legislative proposal at the Working Party on Tax Questions.
8. Should this objective be obtained, time permitting, the Presidency would like to table a first compromise proposal of draft DSTD for perusal at the WPTQ.
- b) *Proposal for a Council Directive laying down rules relating to the **corporate taxation of a significant digital presence** ("SDPD")*
9. It is expected that by June 2018 initial technical analysis of this Commission proposal will be completed at WPTQ level as well.

10. It is clear that work on this legislative proposal will have to be calibrated with a view to monitoring and reflecting, as appropriate, progress made in the G20/OECD debate, which is expected to conclude by 2020. At the same time, it can be expected that discussion on this legislative proposal in the Council can also serve as useful input to the global discussions that are ongoing on digital taxation within the G20/OECD.
- c) *Commission **Recommendation** relating to the corporate taxation of a significant digital presence and **Communication** "Time to establish a modern, fair and efficient taxation standard for the digital economy"*
11. While the negotiations on the legislative part of the digital taxation package can be seen as a priority, it is possible that the Council might wish to politically respond (e.g. by way of Council conclusions) to the Commission Recommendation and the Communication.
12. The issue on whether and how exactly agreements of Member States in the area of avoidance of double taxation (DTAs) would have to be adjusted, once the EU legislates in the area of digital taxation and significant digital presence, remains open and depends on the outcome of the negotiations on the legislative part of the digital taxation package. It is possible that the provisions of the Commission Recommendation might have to be further reviewed or clarified.
13. To attain the objectives set out in this roadmap, the Bulgarian Presidency has started the initial technical examination of both DSTD and PSPD. For that purpose the meetings of 2 and 14 May as well as on 13 June 2018 are devoted to DSTD and the meetings of 4 and 5 June 2018 to SDPD.
14. The state of play in these negotiations would be summarised in the six-monthly ECOFIN report to European Council on taxation issues.
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