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PRESS RELEASE

Digital tax: Unilateral EU action threatens growth

Brussels, 26 September 2017 – The American Chamber of Commerce to the EU (AmCham EU) is concerned by the recent proposals from the European Commission and some Member States to introduce new measures to tax digital activities. These initiatives (which are without impact assessments) could both harm the competitiveness of the EU and jeopardise international efforts to tackle tax issues if they are not subject to very broad multilateral agreement.

Turnover (or ‘equalisation’) taxes, as proposed by some Member States, can substantially reduce the amount of company profits available for investment and reinvestment, with a negative effect on jobs and growth. They penalise start-ups, low-margin companies and loss-making companies because they do not seek to tax the value created. The reason for taxing profits rather than turnover, is so that only value created by the company in excess of costs incurred is taxed (thus, not taxing revenue required to keep businesses solvent and growing). Some companies may have very high turnover but low margins; start-ups may have turnover, but substantial setting-up costs. Adopting an equalisation levy (or other arbitrary turnover-based tax) would hurt the attractiveness of the EU.

The European Commission’s proposal to consider including digital taxation under the scope of the Common Consolidated Corporate Tax Base (CCCTB) may also adversely affect EU competitiveness and growth if it is not in line with internationally agreed rules on value creation.

Susan Danger, CEO, AmCham EU, commented: ‘Unilateral action by the EU would seriously undermine international efforts to address tax issues. The EU should continue to support tax reforms and the harmonisation of tax regimes within the OECD framework.’ She went on to say: ‘Current EU plans risk putting Europe at a competitive disadvantage vis-à-vis other global players. Internationally agreed upon tax standards ensure the EU remains an attractive destination for foreign investment.’

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About AmCham EU

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €2 trillion in 2016, directly supports more than 4.5 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.