

PROPOSAL FOR A RESOLUTION [3] ON A CORPORATE DIGITAL TAX

Submitted by Groupe Europe

1 The XXVII European Congress, meeting in Valencia on 3-4 June 2021

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3 Recalls the Monti report on EU own resources of January 2017 and UEF's position of April 2019 that the
4 European budget must be financed by genuine own resources linked to European added value and EU
5 policies and that large companies must pay their due for taking advantage of the European Single mar-
6 ket. There must be an end to making EU taxpayers bear the burden (via the 4th GNI based EU revenue
7 now accounting for 70% of EU resources) whereas giant internet companies, intangible, digital service
8 providers and large multinationals evade taxation and gain undue advantage without contributing;

9 Recalls as well that the Own Resource Decision of December 2020 has been ratified end May 2021 in
10 time for the launch of the EU Recovery Plan (750 billion EUR). This is necessary in order to finance the
11 new priorities agreed in December 2020 such as the European Green Deal and Digital Europe under the
12 EU Recovery plan (*NextGenerationEU*), and to frontload the necessary investments, while the EU econ-
13 omy has slumped by an average 7% in 2020.

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15 Notes that

- 16 - the dismantling of own resources since the 1990s has left the EU budget with net balances
17 which ignore the added value of EU policies and make the financing of European common goods
18 almost impossible. The reform of EU revenues has been long overdue and British exit has proved
19 to be a lost opportunity to end the various rebates on national GNI contributions;
- 20 - the reform of own resources would allow the EU to depend less on contributions from Member
21 States and recover the original design of the Customs Union ("true" own resources based on
22 revenue generated at the common external border are EU entitlements, though collected by
23 the Member States), as opposed to contributions from the Member States. There must be an
24 end to debates on the so-called "*juste retour*" and prevent the yearly arm twisting and 7-yearly
25 blackmail by Member States when defining EU budgets;
- 26 - A hard-won roadmap was agreed on 16.12.2020 among the three institutions towards new own
27 resources in order to cover the repayment of the European Union Recovery Instrument by 2058
28 without impacting national budgets;
- 29 - A contribution based on non recycled plastic packaging waste has become a new revenue
30 source of the EU budget as of 1 January 2021.

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32 Welcomes the planned proposals for a revised EU Emissions Trading System, which could generate rev-
33 enues for the EU budget of about EUR 10 billion, depending on the evolution of the carbon price and
34 the extension of the system to sectors such as aviation and maritime traffic, and a carbon border

35 adjustment mechanism (CBAM which could bring an additional 5 to 14 billion a year)¹. CBAM aims to
36 reduce the risk of carbon leakage and ensure an environmental level playing field between EU and third
37 country operators by aligning the price of imports with their carbon content;

- 38 - Other proposals for a digital levy are also due mid 2021, replacing the 2018 proposals that tar-
39 geted companies with annual revenues above 750 M€ worldwide revenue and 50 M€ in the
40 Union and that expected returns around €7 billion per year based on user location. There must
41 be fair burden sharing between digital companies that are active in the Single Market and the
42 other companies (whose current average taxation is 20%, ie double that of digital companies).
43 An interim digital services tax (annual revenue estimated at around €5 billion) is to counter the
44 loss of tax revenue, while negotiations continue on the EU corporate tax,;
- 45 - Additional own resources will be on the table by mid-2024, with new proposals for a financial
46 transaction tax (to break the deadlock since the enhanced cooperation scheme between 11
47 Members states in 2012) and a financial contribution linked to the corporate tax base (Common
48 Consolidated Corporate Tax Base or CCCTB with expected return of €12 billion). The 2016 CCCTB
49 proposal set up a single EU system to calculate cross border companies' *taxable* profits in the
50 EU, to consolidate their losses and profits across the EU and be taxed where they are active at
51 the national rate. The revamped corporate tax will take into account international discussions
52 towards reforming the outdated international corporate tax system, with action on the reallo-
53 cation of taxing rights and minimum effective taxation. These are conducted under the
54 OECD/G20 Inclusive Framework on base erosion and profit shifting.

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56 Observes that,

- 57 - A succession of scandals (*Luxleaks* in 2015, *Panama Papers* in 2016, *Paradise Papers* in 2017)
58 raised public outcry and led to a renewed action for fair and efficient taxation in the EU, includ-
59 ing an end to tax rulings whereby some Member States attract companies to localize their prof-
60 its with them and deprive other Member States from revenue²;
- 61 - Unanimity rules for harmonising and approximating national taxation legislations means the
62 Commission and Parliament have little say. In 2020 and 2021, the use of antitrust charges
63 against Big Tech met with two recent setbacks before the EU General Court. In 2017, the Com-
64 mission had attacked Ireland's failure to recover from Apple illegal state aid worth up to 13
65 billion euro in unpaid taxes for the past 10 years, and invited Amazon to pay back some €250
66 million unpaid taxes in Luxembourg. Though both cases are now appealed by the Commission
67 before the Court of Justice, the tool as yet provides a shaky basis for correcting tax discrepancies
68 and unfair competition across the EU.
- 69 - Deadlocks in the European negotiations on taxation which require unanimous approval of the
70 Member States have continued for more than ten years now. Meanwhile the Member states
71 take measures in a disorderly way, thereby exacerbating tax competition inside the Single Mar-
72 ket and feeding public outrage: corporate tax in the EU is 21.7% on average, and has declined
73 steadily (below the worldwide average which was 23.9% in 2020) but varies from 31.5% in Por-
74 tugal to 12.5% in Ireland, 15% in Lithuania and 9% in Hungary). The inaction of the Member

¹ Communication from the Commission "The EU budget powering the recovery plan for Europe", COM(2020) 442 final of 27 May 2020,

² Some EUR 35-70 billion are lost each year in corporate tax avoidance in the EU. See COM(2021) 251 final of 18 May 2021, footnote 12.

75 States simply means the EU is losing out in the global tax competition. Unanimity in tax matters
76 in the EU is clearly outdated; -

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78 Welcomes

- 79 - The US reform of corporate tax since 1 January 2018 which shows the way to restoring the tax
80 base abusively eroded by delocating profits and IP rights to tax havens. President Joe Biden's
81 tax plan of 31 March is to raise the US corporate tax rate from 21% to 28% to fund major infra-
82 structure investments (\$ 2000), repeal the reduced rates on foreign derived intangible profits,
83 refuse US tax deductions to US resident corporations which shift profit to low-taxed jurisdictions
84 and raise the global minimum effective corporate tax rate (to be agreed at OECD level, or set at
85 21% in case it is not). This means that an American company residing in Ireland (12% tax on
86 corporate benefits) would have to pay an extra 9% to the American treasury.
- 87 - President Biden's initiative as a sign that good governance in these matters takes on a global
88 dimension, whereas national jurisdictions have no power to curb and national vetoes are para-
89 lysing instruments. Tax justice and the environmental cause are common goods and interna-
90 tional cooperation is an extremely positive outlook: it is time to reverse a 40-year trend towards
91 the exhaustion of public finances and the tax race to the bottom among the states.
- 92 - the European Commission's [Communication on Business Taxation for the 21st century](#) of 18
93 May 2021 takes account of the progress made in the G20/OECD discussions on global tax re-
94 form. A new framework for business taxation in the EU will be presented by 2023, and will re-
95 place the pending 2018 proposal for a Common Consolidated Corporate Tax Base. The new
96 global dynamics in corporate taxation will influence the shape of the EU business tax agenda
97 but the direction of reform will clearly target big companies (close to €1 billion of consolidated
98 group revenue (or a share of this in the 27 Member States) and propose taxing at EU level.

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100 UEF urges the European Commission and the Member States to:

- 101 1. Support the proposal discussed in the European Council of taxing web companies as a function
102 of their "virtual permanent establishment", whereby digital firms should pay taxes in countries
103 where they have a "significant digital presence";
- 104 2. Promote, in line with the principle of subsidiarity, EU action on business taxation with a clear
105 cross-border dimension, targeting barriers to the smooth operation of the Single Market and to
106 cross-border investment created by differences between national tax systems;
- 107 3. Support the Commission proposal of 18 May 2021 for a new EU framework for business taxa-
108 tion, based on a common tax base and a reallocation of profits between Member States; includ-
109 ing a single EU tax return for multinational groups on the basis of their consolidated profits;
- 110 4. Propose that all corporations earning close to €500 million/1 billion in revenue from the EU
111 single market pay a modest levy (somewhere near 20%) of this overall revenue directly to the
112 European Union budget. This would replace national taxes and be much simpler, both for the
113 taxing authority and for companies. Overriding concerns for tax justice should prevail, over and
114 against unanimity rules in the Council, to counter Euroscepticism, back European goals and align
115 with global negotiations on a minimum effective taxation and reallocation of taxing rights
116 among jurisdictions;

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5. Engage with the new dynamics in global talks on corporate taxation and recognise the need for the EU to address tax competition at a comprehensive EU and global levels, not nationally. Solutions to reform the international corporate tax framework currently discussed by the OECD do address the public revenue gap stemming from the globalisation and digitalisation of the economy; the EU should use these as a stepping stone;
 6. Support the alternative path to the ineffective process of harmonising national corporate taxes by means of directives approved unanimously and the mechanism whereby Member states remain competent in direct tax matters;
 7. Arrange mechanisms for true European taxes to be levied automatically as EU own resources, when they are generated by new common EU policies without modifying of the Own Resources Decision; the legal act establishing these new policies should include such provisions;
 8. As discussed among OECD countries and the G20, jurisdictions can top up the amount paid to a minimum effective level. The EU should be enabled to do the same and collect this revenue supplementary to national levies, when they are below the agreed minimum tax rate. This means, for example, that a true EU corporate tax and the new digital tax should be levied by the EU from the companies in question and determined by the Council on qualified majority and the European Parliament on the basis of Article 116 TFEU.

AMENDMENTS

Submitted by:	Enrique Barón Crespo, Domènec Ruiz Devesa, Alejandro Peinado García
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	PROPOSAL FOR A RESOLUTION NUMBER 3 ON A CORPORATE DIGITAL TAX

Line number(s):	7 - 8	
	Original text	Amended text
	whereas giant internet companies, intangible, digital service providers and large multinationals evade taxation and gain undue advantage without contributing	whereas giant internet companies, intangible, digital <i>platforms and digital</i> service providers and large multinationals evade taxation and gain undue advantage without contributing;
Explanatory statement (optional):		

Submitted by:	Enrique Barón Crespo, Domènec Ruiz Devesa, Alejandro Peinado García
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	PROPOSAL FOR A RESOLUTION NUMBER 3 ON A CORPORATE DIGITAL TAX

Line number(s):	10 - 12	
	Original text	Amended text
	This is necessary in order to finance the new priorities agreed in December 2020 such as the European Green Deal and Digital Europe under the EU Recovery plan (NextGenerationEU),	This is necessary in order to <i>open the path towards a permanent fiscal union, and</i> to finance the new priorities agreed in December 2020 such as the European Green Deal and Digital Europe under the EU Recovery plan (NextGenerationEU),
Explanatory statement (optional):		

Submitted by:	Enrique Barón Crespo, Domènec Ruiz Devesa, Alejandro Peinado García
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	PROPOSAL FOR A RESOLUTION NUMBER 3 ON A CORPORATE DIGITAL TAX

Line number(s):	20 - 21	
	Original text	Amended text
	the reform of own resources would allow the EU to depend less on contributions from Member States and recover the original design of the Customs Union	the reform of own resources will allow the EU to depend less on contributions from Member States and recover the original design of the Customs Union
Explanatory statement (optional):		

Submitted by:	Florian Ziegenbalg
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	[3] on a corporate digital tax

Line number(s):	32 - 37	
	Original text	Amended text
	Welcomes the planned proposals for a revised EU Emissions Trading System, which could generate revenues for the EU budget of about EUR 10 billion, depending on the evolution of the carbon price and the extension of the system to sectors such as aviation and maritime traffic, and a carbon border adjustment mechanism (CBAM which could bring an additional 5 to 14 billion a year . CBAM aims to reduce the risk of carbon leakage and ensure an environmental level playing field between EU and third country operators by aligning the price of imports with their carbon content:	Welcomes the planned proposals plans for a revised EU Emissions Trading System, which could possibly generate revenues for the EU budget of about EUR 10 billion, depending on the evolution of the carbon price and the extension of the system to sectors such as aviation and maritime traffic or housing , and for a WTO-compatible carbon border adjustment mechanism (CBAM) which could possibly bring an additional 5 to 14 billion a year. CBAM aims to should reduce the risk of carbon leakage and ensure an environmental level playing field between EU and third country operators by aligning the price of imports with their carbon content.
Explanatory statement (optional):	The Commission plans to publish its proposals for 14/07/2021; WTO-compatibility should be an important element of CABM.	

Submitted by:	Florian Ziegenbalg
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	[3] on a corporate digital tax

Line number(s):	38 - 40	
	Original text	Amended text

Other proposals for a digital levy are also due mid 2021, replacing the 2018 proposals that targeted companies with annual revenues above 750 M€ worldwide revenue and 50 M€ in the Union and that expected returns around €7 billion per year based on user location.	Other proposals for a digital levy are also due mid 2021 <i>should be advanced in line with the agreement on G7-level</i> , replacing the 2018 proposals that targeted companies with annual revenues above 750 M€ worldwide revenue and 50 M€ in the Union and that expected returns around €7 billion per year based on user location
Explanatory statement (optional):	

Submitted by:	Enrique Barón Crespo, Domènec Ruiz Devesa, Alejandro Peinado García
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	PROPOSAL FOR A RESOLUTION NUMBER 3 ON A CORPORATE DIGITAL TAX

Line number(s):	61 - 62	
	Original text	Amended text
	- Unanimity rules for harmonising and approximating national taxation legislations means the Commission and Parliament have little say.	- Unanimity rules for harmonising and approximating national taxation legislations <i>and the ratifications in 27 national parliaments for the approval of new own resources set a tortuous process and it</i> means that the Commission and Parliament have a little say <i>on this matter, something than calls for a reform of the Lisbon Treaty sooner than later.</i>
Explanatory statement (optional):		

Submitted by:	Enrique Barón Crespo, Domènec Ruiz Devesa, Alejandro Peinado García
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	PROPOSAL FOR A RESOLUTION NUMBER 3 ON A CORPORATE DIGITAL TAX

Line number(s):	69 - 70	
	Original text	Amended text

	<p><i>- A stronger European Parliament is necessary to play a real role in the revenue side of the budget (be it in the form of debt or taxes), and keeping its role on in the expenditures. That also a more transparent, democratic and efficient Council, working hand in hand with the elected chamber, in a bicameral system is needed.</i></p>
Explanatory statement (optional):	

Submitted by:	Enrique Barón Crespo, Domènec Ruiz Devesa, Alejandro Peinado García
Number of the proposed resolution that you would like to amend (e.g. 1.1.):	PROPOSAL FOR A RESOLUTION NUMBER 3 ON A CORPORATE DIGITAL TAX

Line number(s):	101 - 102
Original text	Amended text
	<p><i>1. Support a Treaty reform to solve the anomaly of a Parliament that plays no real role in the revenue side of the budget (be it in the form of debt or taxes), having into account that EU will count with new forms of Pan-European taxes and that European debt becomes a standard financing tool.</i></p>
Explanatory statement (optional):	

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Line number(s):	134 - 136
Original text	Amended text
	<p><i>10 - To discuss all these proposals with the Citizens and the Civil Society Organisations in the Conference on the Future of Europe to convene a Treaty reform in order to achieve a more federal political union as the logical counterpart of the nascent financial and fiscal union born after</i></p>

	<p><i>the ratification of the new Own Resources and the launch of the European Recovery Plan.</i></p>
Explanatory statement (optional):	