



**BRUSSELS | 3 MAY 2021**

## **EU to Proceed with Own-Resource Digital Levy Regardless of US Digital Tax Proposals**

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Speaking during a European Parliamentary debate on 28 April, EU Commissioner for Economy, Paolo Gentiloni, [confirmed](#) that the Commission will proceed to publish its proposal for a digital levy by the end of June, irrespective of developments at OECD level and the US digital tax proposals, noting that the EU digital levy was necessary for the creation of a EU generated 'own resource', for funding the NextGenerationEU instrument and recovery and resilience fund. In May, the Commission will also publish its Communication on Business Taxation for the 21st Century.

Elsewhere, speaking at a [virtual conference](#), Nobel Prize winning economist

Joseph Stiglitz discussed comments made by Ireland's Finance Minister, Pascal Donohoe, that Ireland needs to be able to use tax policy to compensate for advantage of scale, resources and location enjoyed by larger countries, saying "*Much of the tax revenue that Ireland gets is a result of stealing tax revenue from its neighbours - from other members of the EU...I think, at one time or another, the EU would have had to address this issue anyway*". Under the US proposals for digital tax, countries like Ireland are presumed to lose significant revenue. Under the Stability Programme Update for 2021 of the Irish Department of Finance [published](#) on 14 April, Ireland stands to lose 2 billion Euros in corporate tax revenue by 2025.

OECD Tax Director, Pascal Saint-Amans, has recently confirmed that the G20 meeting of the finance ministers in July is still the tentative deadline for an agreement to be reached, however some details may need to be agreed until October, the date of the subsequent G20 meeting.

## OECD Publish Taxing Wages 2021 Report

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The OECD has now published its [Taxing Wages 2021](#) report, examining changes in taxation rates for personal income tax from 2019 to 2020. The report shows that, due to the coronavirus pandemic tax reforms and reduced household income given decreased employment, the effective average rate of taxation decreased in 2020. The average tax rate for a single worker decreased by 0.39 percent in 2020, to 34.6%. This significant decrease is similar to, but notably less than, what was observed in previous economic crises in 2008 and 2009. The lowest tax rate of 0% was observed in Colombia, with the highest tax rate of 51.5% in Belgium.

The report examines rates of taxation and compares, as a percentage share of

gross salary, income tax and social security contributions made by employees, social security contributions and payroll taxes paid by employers, as well as any cash benefits received. In addition, the report examines taxes at a household level, comparing rates of taxes across different pay levels and amongst different family configurations, such as families with and without children, and across those households with either single or multiple incomes.

## CFE Statement on EU Digital Levy Consultation

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CFE has issued an Opinion Statement on the EU Digital Levy Roadmap and recent public consultation published by the European Commission.

CFE supports the ongoing process of reaching a globally acceptable solution for the tax challenges of the digital economy. CFE is concerned by the fact that there is a multitude of turnover digital tax measures being introduced at national level worldwide, and that the complete technical aspects of the proposed OECD solution are not yet known. How an EU digital levy would sit alongside those measures is unclear, and is a matter of concern for tax advisers, business and tax administrations alike.

CFE fears that in absence of the measures being connected, there will inevitably be double, triple and quadruple taxation on companies as a result of these multiple digital tax measures. CFE observes that corporate income top-up taxes are being proposed in a number of Member States at present, also with the aim of aiding the economic recovery from the COVID-19 impact. Any EU tax which also takes the form of a corporate income top-up tax would very likely result in double taxation. It is also unclear from the Roadmap and questionnaire which digital sources may come within scope of the tax, or how corporate tax bases for businesses that are not operating in-country will be

defined.

CFE believes that establishing tax certainty in the international taxation framework as well as the protection of taxpayers' rights and the avoidance of double taxation is of utmost importance and must be a priority for policymakers. Accordingly, CFE believes that the focus should remain on the ongoing work of the OECD, and on minimising the enormous administrative burdens that will accompany any agreed solution.

We invite you to read our [statement](#), and remain available for any queries you may have.

## Tax Inspectors Without Borders Mobilises Over 1 Billion USD in Tax Revenues for Developing Countries

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The [Tax Inspectors Without Borders](#), a joint OECD and UN initiative launched in 2015 to assist developing countries with their auditing capacity and in increasing compliance of MNEs worldwide, has now aided in the collection of over 1 Billion USD in developing countries.

The initiative has over 42 successfully completed programmes, with 45 more projects in progression assisting developing countries in effectively collecting tax from multinational entities, which is vital in light of the coronavirus crisis.

Mr. Angel Gurría, OECD Secretary-General said of the Tax Inspectors Without Borders initiative: "*With our partners, we have exceeded the USD 1 billion milestone, making a direct contribution to the domestic resource mobilisation needs of some of the poorest countries in the world. It has been an honour to champion the TIWB model of development co-operation for the 21<sup>st</sup> century.*"

## Final Reminder: CFE Forum - *Tax Transparency, Exchange of Information & Digital Commerce* - 6 May 2021

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Register now to secure your place for the CFE Tax Advisers Europe Forum 2021, to be held virtually this week, on Thursday 6 May 2021.

The first panel will comprise a keynote speech by Pascal Saint-Amans, Director of the OECD Centre for Tax Policy and Administration. Panellists from the European Commission, European Court of Auditors, academia and practice will then discuss cross-border exchange of information in the EU, and implications for taxpayers' rights, including use of information by tax authorities. To register to attend Panel 1, please follow this [link](#).

The second panel will comprise panellists from the European Commission, digital platforms and practice, and will examine the topic of VAT in the digital economy, in respect of the abolition of distance sales rules and making platforms liable for VAT on sales from outside the EU. To register to attend Panel 2, please follow this [link](#).

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The selection of the remitted material has been prepared by:  
Piergiorgio Valente/ Aleksandar Ivanovski/ Brodie McIntosh/ Filipa Correia