

We write to support the Czech government's cautious approach to the proposed Digital Services Tax, Proposal for a Council Directive laying down rules relating to the corporate taxation of a significant digital presence, COM/2018/0147 final - 2018/072 (CNS). We question the necessity of the tax and its fairness. We worry that its economic impact will harm European competitiveness. We are concerned that it will make wider alignment on taxation more difficult, and that implementation of the tax will prove costly and difficult. Finally, we note that the current proposal may violate principles of double taxation and subsidiarity. For these reasons, we urge that more time be taken to determine the consequences and benefits of the DST proposal.

The digitization of the economy has changed the way business is conducted dramatically, and this change will require similar changes to international tax coordination both within the EU and globally. Any solution solely addressing the EU may reduce the ability of companies operating there to compete. We believe it would be better for issues of digital taxation to be addressed in a wider forum. The OECD is attempting to coordinate the policies of 116 countries in its Base Erosion and Profit Shifting Project. Efforts to align national policies internationally should focus on achieving consensus there.

We disagree with the argument that DST is necessary to prevent anti-competitive conditions. The general economic models of the start-up industries are based on two ultimate objectives: an initial public offering or the sale to a more established player. By reducing the possibility of the latter by reducing the income of major companies, the DST might have the opposite effect of its stated intention.

Finland has noted that the DST would be hard to implement, and that the cost of enforcing the policy might be higher than the revenue achieved. If so, DST would run counter to the efforts of the Czech Republic to achieve efficiency in its tax system.

Many EU countries, including the Czech Republic, have warned that the DST may violate international tax treaties and the principle of double taxation. Assuring that the proposal is aligned with current tax law should be achieved before any final decision.

In summary, we support the Czech Republic's efforts to examine whether the DST aligns with its own efforts to tax fairly and efficiently and to address the digitization of the economy effectively by coordinating its policies with as many nations as possible. We are ready to support the Ministry's efforts to adapt its tax policies to address the complex changes caused by digitization.

Thank you for your attention to our comments.