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International Tax Counsel

Revival of the EU Digital Services Tax? A Post-Pillar 1/2 Perspective.

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1. Introduction EU Digital Service Tax

- Proposed in 2018, part of the “EU Digital Tax Package”
- Threshold worldwide turnover over at least EUR 750 million or local > EUR 40 million
- EU decided not to proceed due to Pillar 1.

2. What is a DST?

Digital Services Tax (DST)

Scope	Local Presence	Revenue Thresholds (Both)	Apply Tax
I. Online advertising	% of local users or advertisements	I. Global: €750 million	Local Revenues • 3%
II. Selling user data		II. Domestic: €40 million	
III. Digital platforms			

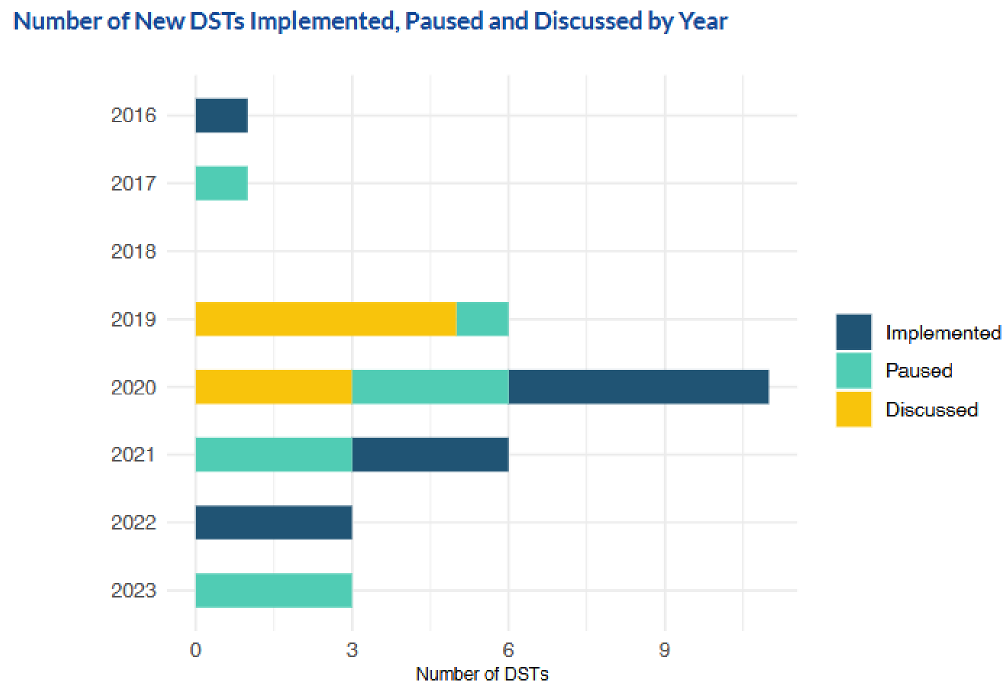
- No CIT, transaction tax or VAT;
- Gross turnover tax;
- Company’s residence is not relevant;
- Does not qualify as tax under tax treaty;

3. DST in the world

2023 figures:

12 countries active implemented DST;
11 countries paused implementation DST;
8 have discussed DST;

(20 countries belong to the OECD, 11 do not)

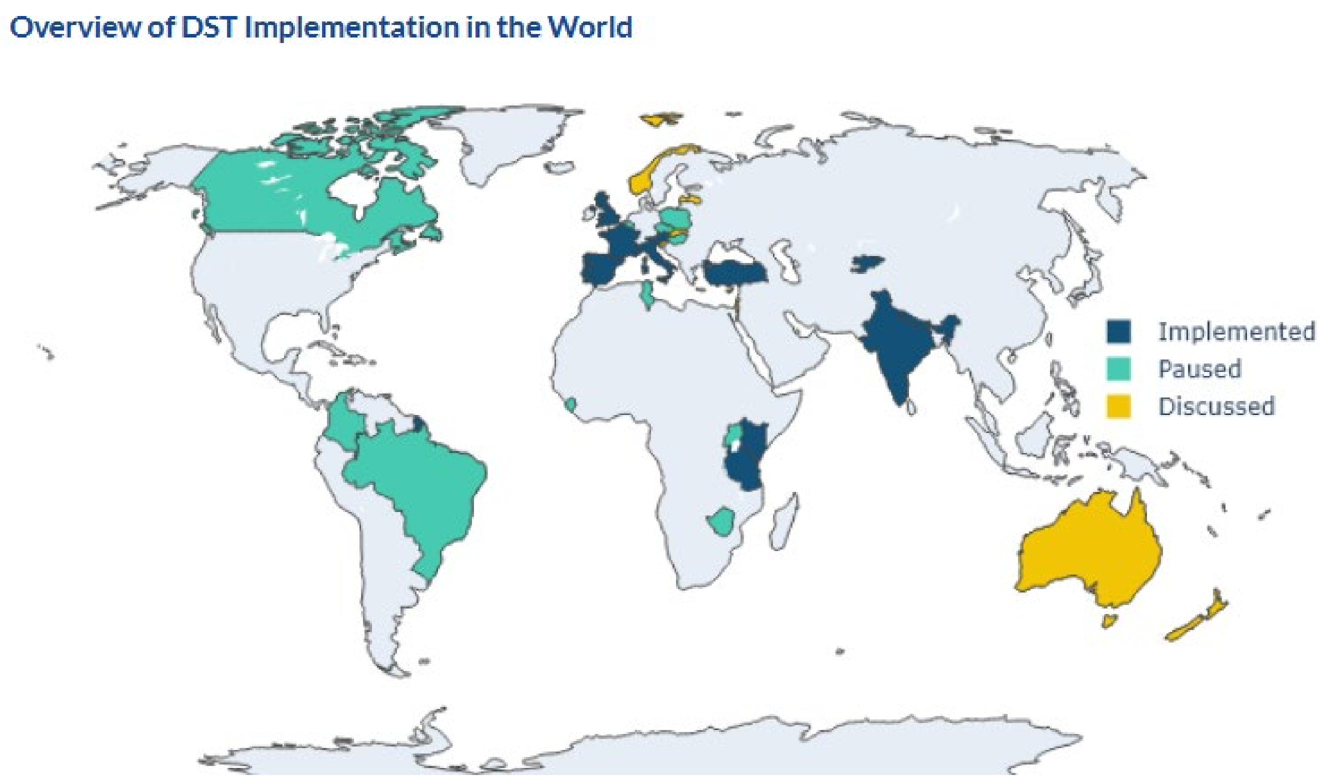


3. DST in the World (2)

Implemented: France, the UK, Italy, Spain, Austria, Portugal, Turkey, India Tanzania, Nepal and Kyrgyzstan.

Paused: Belgium, Poland, Hungary, Canada, Czechia, Tunisia, Uganda, Zimbabwe, Brazil, Colombia and Sierre Leone

Discussed: Cyprus, Australia New Zealand, Norway, Slovakia, Slovenia, Latvia and Israel



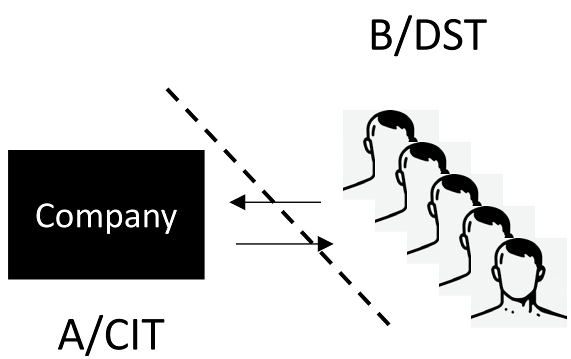
4. Is it an efficient tax?

- 0,1% to 0,3% of a country's revenue;
- But in most situations DST > CIT;
- A company is liable even if it has no permanent establishment;
- Expectation is that the income will increase;

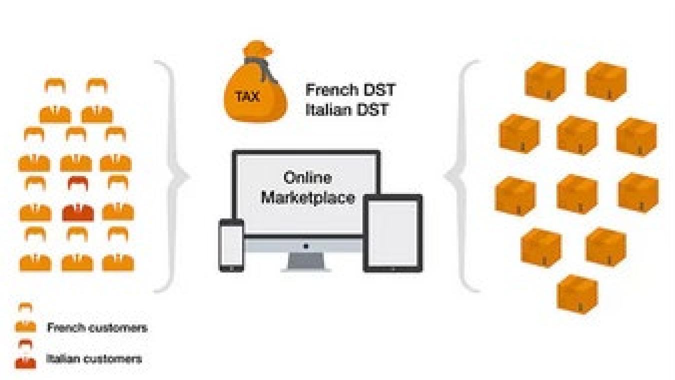
- Downside is double taxation:

4. Is it an efficient tax? (2)

- Example 1:



- Example 2:



5. Pillar 1

- Pillar 1 was first proposed by the OECD in January 2019 as part of BEPS;
- More detailed agreement in October 2021;
- Targets MNEs with global revenues over €20 billion and profit margins above 10%;
- It aims to allocate new taxing rights on income to market jurisdictions, even in absence of physical presence;
- Double taxation elimination.

5. Pillar 1 (2)

What companies?

- 677 companies have revenues more than 20 billion euros;
- 69 companies will be required to pay Pillar 1;
- 50% of these companies are US MNEs;
- 70% of the allocated profit is from US MNEs;
- Net revenue loss of USD 1,4 billion for the US.

5. Pillar 1 (3)

Current status?

- Nearly 140 countries reached agreement;
- In January 2025 the new US administration has issued a memorandum voiding any commitments made by the previous administration to the OECD's global base erosion and profit shifting (BEPS) project that have not been enacted by the US Congress;
- The US government has been reluctant to agree to it, because its main adverse impact will be on large US companies that trade in digital services;
- In addition, In February 2025 the new US administration published a memorandum that oultines the intent to scrutinize and counteract foreign tax and regulatory measures that disproportionately affect American companies.

6. Final remark

- Will the OECD's global tax reform (Pilar 1) survive without the participation of the US (also for Pillar 2)?

- Revival of the EU Digital Services Tax?

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Q&A

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