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WORKING PAPER

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MEETING DOCUMENT

From: Presidency
To: Working Party on Tax Questions (Digital Taxation)
Subject: Example based impact of the Pillar 1 proposals
- Presentation

Delegations will find attached a powerpoint presentation in view of the meeting of the Working Party on Tax Questions (Direct Taxation - Digital) on 18 July 2019.
Example 1. Impact of the possible new rules on Pillar 1

**AS IS (ALP)**
GROUP PROFIT & TAX ALLOCATION

POSSIBLE NEW ALLOCATION OF GROUP PROFIT & TAXES

NON-EU MARKET AREA
- Contract manufacturer (cost+)
- Low-risk distributors (x5), sales & marketing (cost+)

EU
- Principal functions, centralised IP
- All residual taxed in EU under current rules

NEW TAXING RIGHTS IN THE EU AND IN 3RD COUNTRIES
- HQ remote sales in 10 countries

NON-EU MARKET AREA
- Low-risk distributors (x5), sales & marketing (cost+)

Customers/users
Example 2. Impacts on multiple business lines segmentation, decentralized IP & group level profit determination

**Business Lines a-d**

**EU**
- Fully fledged manufacturing, part of tech IP (a-d)
- Principal and other HQ functions, part of all IP
- Part of the residuals

**Non-EU Market Area**
- Fully fledged manufacturers, part of the trade IP
- Contract manufacturers cost +

**Profit Levels:**
- a: 18%
- b: 10%
- c: 7%
- d: 3%

**NEW TAXING RIGHTS IN THE EU AND IN 3RD COUNTRIES**
Example 3. Impact on data administration & dispute resolution

- HQ functions, centralised IP
- Remote sales
- All of the residual taxed in EU under current rules

AS IS

TAXATION IN 1 JURISDICTION

TO BE

NEW TAXING RIGHT IN 200+ JURISDICTIONS