

From: [REDACTED] (TAXUD)
Sent: 11 January 2018 17:52
To: MOUTARLIER Valere (TAXUD); [REDACTED] (TAXUD); [REDACTED]
[REDACTED] (TAXUD); [REDACTED] (TAXUD)
Subject: KPMG meeting 11/1/18

Dears,

Please find set out below a brief note of the meeting with KPMG today. [REDACTED]
[REDACTED]

Best,
[REDACTED]

Participants:

KPMG: [REDACTED]
[REDACTED]
TAXUD: Valère Moutarlier, [REDACTED].

Main issues raised:

- The purpose of the meeting was to have an exchange of views with KPMG on the upcoming proposals on the taxation of the digital economy (focus on the comprehensive solution). Also, to allow KPMG to present their views (already obtained via their contribution to the public consultation).
- KPMG confirmed the problems identified with the current tax regime, and accepted the need to: (1) re-define the concept of PE to reflect digital presence; and (2) re-define rules on profit allocation to those PEs.
- KPMG acknowledged the technical complexity of doing so. In their opinion, (2) is more challenging than (1).
- A solution could be found as regards the establishment of a digital PE (1). However, it would need to be seen whether that PE is triggered by data collected in a certain Member State, or by the number of users in that Member State, or a combination of both.
- In the opinion of KPMG, real challenge would be to decide the allocation of profits to those PEs (2). In particular, difficult to value data. How much the data which may have triggered a "digital PE" is worth? How much taxing rights are allocated to the Member States where that data is generated?. Feeling that data has a different value, depending on the business. They echoed the argument that public data is usually said to be worth nothing, while private data is only the result of IP developments of a company (e.g. algorithms developed in the US).
- KPMG expressed the fear that unilateral action could lead to double taxation (e.g. new PE in Europe, while no tax relief in the US). However, in favour of a global reallocation of taxing rights.
- KPMG also expressed concerns about SMEs and start-ups being caught by new corporate tax framework (new PEs very easily created through online sales by small businesses). In traditional brick-and-mortar, PEs are created with physical presence, and businesses do not enter a new market unless they have the infrastructure. COM replied that, while thresholds make sense in the targeted solution, a comprehensive reform should cover all businesses.

- COM confirmed that the upcoming proposals on the taxation of the digital economy go beyond the BEPS framework, and that they are intended as a strong message from Europe that helps agreeing a global solution.