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Comments regarding EC's proposal on new own resources to fund EU's recovery package and long-term budget

The European Commission has proposed that the recovery package (RRF) and long-term budget (MFF) would be partially funded with new own resources, including various taxes. Technology Industries of Finland (TIF) is of the opinion that EU taxation must be fair to all EU Member States. The EC must always perform a reliable impact assessment to evaluate the new taxes' effect on growth, competitiveness and trade relations of the EU.

Always, when possible, a global tax model should be preferred and supported. Introducing globally different EU-wide corporate income taxation systems does not support companies to locate in the EU, and results in additional administrative costs, hitting the SMEs hardest. Thus, does not promote level playing field. Globally different tax systems are likely to cause expensive tax disputes, double taxation, heavy administrative costs, possible protective counter tax legislation and increased tax burden for EU companies. This does not enhance proper functioning of the Digital Single Market (DSM) and is likely to harm the competitiveness and growth throughout the EU.

Proposed new own resources and the opinion of TIF to each proposal:**1. Digital Levy or Digital Tax**

- Oppose
- The principal goal should be to reach a well-functioning, simple global solution to the tax challenges arising from the digitalisation of the global economy.
- Different set of tax rules for some companies, based on their business and location, especially if also hitting loss-making companies is not fair taxation.
- Any tax on the activities of corporations should be linked to profit, not revenues.
- Globally different EU-level tax model would harm competitiveness by triggering protective countermeasures.
- Unilateral digital taxes should be removed.

2. 3 % share of the relaunched Common Consolidated Corporate Tax Base (CCCTB)

*- on 18 May 2021 the CCCTB proposal was withdrawn and replaced with a **BEFIT** initiative. A directive proposal is expected 2023. At this stage it remains unclear whether a share of BEFIT would be proposed as new own resources. Comments below refer to preliminary information received from BEFIT.*

- Partial support for common calculation rules of corporate tax base. The calculation rules should be as simple as possible, minimising excessive burdensome administrative work. Common rules could cut administrative work and costs, if tax calculation would be done in all EU countries similarly. This would in turn also enhance rapid digitalisation and harmonisation of tax reporting.
- Elements aiming to increase investments and growth should be mandatory for Member States:
 - R&D-incentives
 - DEBRA-deduction (Debt Equity Bias Reduction Allowance, independent directive proposal expected 2022)
 - Full cross-border loss relief

- Otherwise a globally unique tax model does not remove problems in international taxation in relation to third countries and is likely to cause more unpredictability and uncertainty.
- The apportionment formula should be fair for Member State's of all size and give value to intangible assets.

3. Single Market Tax/ Access Fee

- Oppose.
- If executed as preliminary proposals indicate (tax on turnover), this would deteriorate EU's competitiveness as it targets also companies in a loss-making position.

4. Carbon Border Adjustment Mechanism (CBAM)

- The EU should support and participate in creating a global carbon pricing, which would enhance the competitiveness of EU companies.
- The target should be the reduction of emissions globally, in line with the Paris agreement. Not collecting revenues for EU's budget.
- The introduction of CBAM requires serious consideration of its impacts, costs and benefits. To our view strengthening the current regulatory framework should remain the top priority to secure a higher level of carbon leakage protection.
- Funds raised from the CBAM should be used to encourage investments in carbonreducing technologies open to all ETS sectors and actors.
- For detailed comments see TIF's position paper on CBAM.

5. Allocating 20 % of the auctioning revenue of the Emission Trading System (ETS) to EU's budget.

- The EU should support and participate in creating a global ETS model, which would enhance the competitiveness of EU companies.

6. Extending the Emission Trading System (ETS) to the maritime sector, aviation sector and heating of buildings.

- The ETS should not be extended for maritime and aviation sectors, as this would unduly increase the transportation costs of Finnish companies, due to their distant and isolated location.
- The ETS could be considered to be extended to separately heated buildings and waste incineration.

7. Financial Transaction Tax (FTT)

- Oppose

8. Decreasing the percentage, the Member States withhold as collection costs from the custom duties to 10 %.

- Support

9. Phasing out all current corrections to the national contributions.

- Support

Qualified majority voting (QMV) in taxation matters would result to small Member States losing their sovereignty to decide in taxation matters. In the most important taxation matters unanimous decisions have been reached (e.g. Anti-Tax Avoidance directive, exchange of information between tax authorities). Thus, QMV in taxation matters is unnecessary.

The EU should not have its own taxing right or become a tax authority. If new own resources will be introduced, the Member States should be liable to collect and pay the taxes to the EU, as currently.

Disregarding the current global taxation system and introducing new, ambiguous rules is not likely to support more effective, efficient taxation and tax certainty. Possible temporary tax models require vast, expensive changes to the information systems of tax administrations and companies.

Digitalisation and automation as well as harmonisation of tax reporting and procedures could lead to notable savings both to tax administrations and companies, as well as minimise the tax gap and tax evasion. In addition to savings both to companies and Member States, automation of taxation would mean a better functioning Single Market, an appealing location for businesses to function and grow.

- Tax reporting should be harmonised within the EU, in co-operation with companies and by using solutions also **enhancing real-time economy**.

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