

# EU tax rules are not currently prepared for the digital economy

## EESC debate on taxation of the digital economy and the sharing economy

European tax rules are not currently prepared for the digital economy. They need to be adapted to reality in order to offer the people of Europe a more prosperous future. This was the main message of the European Economic and Social Committee (EESC) debate on Taxation of the Digital Economy held on 5<sup>th</sup> May.

*"The digital economy is no longer just a part of the economy, but is becoming the actual economy itself"*, stated the keynote speaker, **Rita de la Feria**, professor of Tax Law, University of Leeds, and renowned tax expert – "Global Tax 50" in 2015 and 2016. She outlined that consumption has changed – an increasing part of consumption is done online and a large part of this is on mobile phones.

Opening [the debate](#), the President of the EESC's ECO Section, [Joost van Iersel](#) invited the experts participating to explore how the new models of business, work, and consumption in the sharing economy can be taxed appropriately. He reminded that the EESC considers proposals for appropriate taxation of the digital economy vitally important. Within its wider work on fair taxation, the EESC is [preparing an opinion](#) on the taxation of the sharing economy. The debate hosted an exchange with taxation experts and economists, including EESC members Giuseppe Guerini and Krister Andersson, co-rapporteurs of this opinion that the EESC is preparing at the request of the upcoming Estonian Presidency of the Council of the EU.

*"Digitalization of the economy is not reversible; neither is globalization. All the technological development cannot be undone,"* Ms de la Feria stated. *"Either we continue to fit reality in our law, patch measures, or try to adapt our rules and laws especially in areas of fraud – and offer prosperity to our people."* Fraud has costs beyond revenue loss, and is thus about much more than revenue, according to her. When only focusing on revenue maximization, the applied measures that increase it do nothing to address other causes – such as distortions to competition.

"Current taxation rules risk killing the sharing economy – which is actually good for increased productivity. They are also especially tough on small companies", stated EESC member [Krister Andersson](#). "Mobility is not a problem, but a benefit which we should cherish. Instead, we need to adjust our tax rules accordingly in order to face the challenges and ensure that we realise all potential opportunities", he added.

*"We need a more united taxation system in Europe. Our economy is not united to our territory, so we should treat it with one united European approach"*, said [Giuseppe Guerini](#), EESC rapporteur of Taxation of sharing economy

Ms de la Feria's presentation detailed the other costs of tax fraud, including subsidies to organised crime and perceived unfairness by taxpayers. She also discussed tax competition, declaring that until incentives are removed, the symptoms will just reappear despite any anti tax-avoidance measures.