

# Policy Recommendations for a European Tech Agenda

## Europe's opportunity to preserve an enabling environment for innovation and ensure its global competitiveness and security

The Information Technology Industry Council (ITI) is the premier advocate and thought leader for the global technology industry. ITI's membership comprises 70 of the leading technology and innovation companies from all corners of the information and communications technology (ICT) sector, including hardware, software, digital services, semiconductor, network equipment, cybersecurity, and Internet companies.

The technological innovations of ITI's members, and the digitalisation of the economy more broadly, bring innumerable benefits to European industry and society. The tech sector empowers European companies of all sizes and across industries – from agriculture to education, financial services to manufacturing, healthcare to energy and transportation – to leverage frontier innovations towards competition and success in the global marketplace. Whether it is sensors that detect health and safety hazards for workers in real time, or artificial intelligence that allows doctors to analyse complex medical data faster than ever, technology allows us to address some of the most challenging issues of our time and improve the quality of everyday life for Europeans. The tech sector is also already taking significant steps to help prepare the workforce of the future for the shifting skills and competencies that are required in the 21st century.

Tech policy is a crucial priority in the 2019-2024 EU term, one on which Europe has an opportunity to play an international leadership role on policy issues that are increasingly global. ITI and its members believe that building trust and fostering the public interest in the era of digital transformation are essential. Our companies have made great strides in bringing the positive societal benefits of transformative technologies to fruition and remain committed to upholding the fundamental principles of privacy, inclusivity, transparency, and democracy that underpin European society. We believe in the importance of preserving an enabling environment for innovation to ensure Europe's global competitiveness and security. Europe's digital infrastructure is the foundation for that. 5G is a core element to support digital transformations in industry and society, estimated to enable more than €2.2 trillion worth of economic output in Europe by 2030.

ITI has developed recommendations outlining concrete steps that policymakers can take, in partnership with industry, academia, civil society, and other stakeholders, to effectively implement the ambitious agenda for **"Shaping Europe's Digital Future"** launched by the European Commission in February 2020. Our recommendations address the economic and social implications of technology and the role of our industry, in a manner that supports innovation, while recognising the public interests at stake.

Read ITI's full EU Policy Recommendations [here](#).

## Taxation

### Ensuring a strong, functioning and dependable international tax system

The tech sector seeks to be a critical and constructive voice in conversations about cross-border taxation and strengthening the global tax system. Ensuring a strong, functioning and dependable international tax system is a priority for our industry. In recent years, a number of EU Member States have launched their own approaches to taxing digital services, spurred by arguments around tax fairness. Similar efforts are also being explored in other parts of the world. Unilateral measures are ill-suited to address broader underlying challenges related to taxing online activities. Any individual-economy approach that targets companies on the basis of revenue thresholds and specific business models has the potential to violate existing tax treaties, risk double taxation, and present continuing trade implications. These measures are also likely to cause increased fragmentation of the international tax system resulting from conflicting and overlapping policies.

ITI therefore supports multilateral engagement at the Organisation for Economic Cooperation and Development (OECD) as the best approach to grapple with the complex cross-border taxation policy issues related to the digitalization of the global economy. Beginning with the Base Erosion and Profit Shifting (BEPS) project in 2013, major economies have been at work to comprehensively address a number of tax policy issues through discussions led at the OECD. These and more recent conversations reflect the need for a cooperative, global approach to an inherently international set of issues. We have long engaged in dialogue at the OECD and in capitals, providing input to policymakers about the impacts of proposed policies and feedback about technical design features, with the primary purpose of strengthening the international taxation system.

Discussions at the OECD continue to push forward and intensify as countries look to find a global solution by mid-2020. These efforts have led to agreement on many design characteristics of an updated international tax system that would allocate more profits to market jurisdictions and create a framework to ensure that entities pay a minimum level of tax. This process has continued to move forward with the objective of reaching political agreement on all aspects of a new system's design by July 2020. We hope that this multilateral process will achieve a result that builds on the success of BEPS, and stand ready to work with policymakers to facilitate such an outcome.

### Our Recommendations

1. **Working towards a global solution.** We encourage the EU and its Member States to rely on the OECD as the vehicle for contemplating and agreeing upon reforms to the international tax system. Any reforms should be comprehensive and income tax-based, avoid double taxation, and include appropriate dispute resolution mechanisms that will provide certainty.
2. **Avoiding discriminatory, unilateral policies.** Many of the proposals under consideration or already in place are discriminatory in their current form, raising trade policy concerns while creating a precedent for potential taxes affecting a broad range of digital revenues. There must be a clear, continuing commitment that unilateral measures that have already been put into place will be reversed once an OECD solution is found.
3. **Curbing a fragmented policy approach.** A patchwork of inconsistent policies should be avoided, given the negative impacts on economic growth and innovation. If countries implement significantly divergent approaches, companies will face the possibility of similar but incompatible policies across

multiple jurisdictions, which is likely to impose multiple layers of taxation on the same income without effective avenues for relief and discourage innovation, investment and IT-related job creation in the EU.

- 4. Seeking stakeholder input.** It is essential to include the broader global business community and seek buy-in. Policies under contemplation will create equities for all multinational businesses across economic sectors and geographies.