

Allied for Startups Contribution to the Consultation on a Fair and Competitive Digital Economy - Digital Levy

Allied for Startups is supportive of the introduction of an updated digital taxation framework at OECD level. Startups are global from day one and they aim to compete in any market. The introduction of a new digital levy on revenues at EU level will therefore impact them directly as they will be facing additional barriers. Any new digital levy should take into account startups' needs. For startups this new framework would ideally be negotiated and installed on a global level (OECD) rather than at EU level to avoid fragmentation and double taxation.

When the pandemic began a year ago, startups delivered essential solutions such as telemedicine apps or video calls platforms, solutions that benefit the society at large. Approaching legislation on a digital levy should take into account these success stories and should not target companies because they stepped up during the crisis.

Tax profits, not revenues.

It is of paramount importance that the Commission distinguishes taxing revenues or taxing profits. Taxing revenues is directly related to taking capital out of innovation. Many startups aren't profitable for years as they pour everything, their time and capital included, into growth and innovation. Focusing on revenue is like a growth tax. Larger scale-ups are not necessarily profitable either. A revenue tax is akin to a startup growth tax. If a new taxation system is to be set up, it should be based on the profits generated by the companies in order to create a fair and competitive taxation framework for all digital companies.

Taxation rules that work for all.

Startups want to comply with all forms of legislation from day one. The introduction of any new rules should be applicable from the outset to all companies in a proportionate way. If the introduction of a threshold is proven necessary, then this threshold should be relatively higher to allow space for startups to scale-up.

The unintended consequences of digital taxation for startup ecosystems.

The implementation of a new digital levy targeting bigger players also impacts their smallest economic partners. Data suggests that the costs for big multinational digital companies will be passed on to SMEs and startups. For example, startups placing ads online or using cloud-based services could be charged more for the services.

Allied for Startups encourages the Commission to take stock of the preceding EU digital services taxation proposals and fully throw its weight behind the negotiations for an updated OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting before moving

forward with an EU proposal. If a new digital levy is proven necessary for the EU, then this should apply for analog and digital markets simultaneously.

Allied for Startups is a worldwide network of over 45 advocacy organisations focused on improving the policy environment for startups. We are working together to create a consensus on policies that can positively impact startups and grow the digital entrepreneurship and digital economy at large. Our mission is to ensure that the voices of startups are heard in government.