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Answer given by Mr Hoekstra
on behalf of the European Commission
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The Commission supports fair taxation of the digital economy and a level playing field between digital and traditional businesses. Given the cross-border nature of digital business models, these challenges are best addressed through a multilateral solution, rather than uncoordinated unilateral measures. Pending such a solution, Member States retain the right to tax economic activity within their borders in a non-discriminatory manner.

The Commission assessed the potential revenue from different tax policy options for the digital economy in the impact assessment for its 2018 proposals for a Digital Services Tax and Significant Digital Presence¹. There are no reliable estimates of Member States' revenue losses resulting from profits being booked in jurisdictions where businesses have little or no physical presence. Accurate estimates are difficult due to divergent national tax rules, the lack of international consensus on allocating taxing rights regarding digitalised business models and inadequate publicly available data.

As to the Business in Europe: Framework for Income Taxation (BEFIT) proposal², this remains under consideration by the Council. Notably, the common tax base and a method for cross-border profit allocation could reduce distortions across the internal market. While the latter was proposed as a transitional solution, the Commission continues to see merit in a sector-specific formula as part of BEFIT's definitive phase. Moreover, the Commission's Omnibus proposal³ contains measures addressing inconsistent implementation of tax rules and other tax obstacles that may distort investment decisions across the internal market.

¹ SWD/2018/081 final.

² COM/2023/532 final.

³ COM(2026) 560 final.