Press release: Government investment to unlock more homes across England

- a further 44 areas shortlisted for funding for major infrastructure projects worth £4.1 billion and with the potential to deliver over 400,000 homes
- almost £300 million funding in total for housing projects in Greater Manchester, the West of England and Oxfordshire

Almost £300 million government investment in Greater Manchester, the West of England and Oxfordshire is set to help deliver thousands of much-needed new homes for local communities, Housing Secretary Sajid Javid announced today (21 March 2018).

Greater Manchester is set to receive £68 million funding to support the Mayor’s ambitious target of delivering 227,200 homes by 2035 and boost economic growth across the Northern Powerhouse.

Government support for the West of England will help to nearly double the number of new homes being delivered historically, increasing from around 4,000 homes to 7,500 homes a year. This will deliver much-needed homes and support the local economy.

Ministers have also approved a housing deal with Oxfordshire worth £215 million that will help deliver a further 100,000 new homes for local people. This follows a similar deal agreed with the West Midlands last week to support the Mayor’s ambitious plan to deliver 215,000 homes across the region.

This latest announcement comes as the government has also announced that Housing Infrastructure Fund bids, from a further 44 areas for projects to help unlock more homes across country, have been shortlisted to the next stage of the competitive process.

A potential £4.1 billion funding will be available for vital infrastructure like roads, bridges, new schools and medical centres, which are needed for new communities.

Housing Secretary Sajid Javid said:

> This government is determined to build the homes this country needs. That’s why we’re working with ambitious areas across England and backing them with investment and support.
>
> This new housing investment in Greater Manchester, the West of England and Oxfordshire will help build much-needed homes, giving more people the opportunity to get on the property ladder.

> We’re also investing in local infrastructure like schools, roads and hospitals, so that we can help unlock even more new homes in the areas where they’re needed most and build a Britain fit for the future.

Greater Manchester housing package

This funding will support a focus on developing brownfield land for housing and getting more homes built on small sites.

The government package includes:

- £50 million for a Land Fund to help councils in the region to prepare brownfield land for housing development
- taking 4 Housing Infrastructure Fund projects through to the next stage of assessment for funding
- up to £8 million for capacity funding to boost support for housing delivery across the region
- £10.25 million funding to help regenerate the Collyhurst Estate in north Manchester
- new flexibilities on the existing £300 million Housing Investment Fund to allow more homes to be delivered through loans to developers

Mayor of Greater Manchester Combined Authority Andy Burnham said:

> I welcome this Housing Deal from government and the £50 million Greater Manchester’s Leaders have secured that will allow us to build on more of Greater Manchester’s brownfield sites.
>
> It brings us closer to our ambitions and is a clear statement of intent as we move towards publishing the rewritten Greater Manchester Spatial Framework.
>
> As we look to build the homes Greater Manchester needs, we must do everything we can to make sure as much brownfield land as possible is made available for development. This is the best way to ensure we minimise the impact on our green spaces.
>
> But this isn’t just about numbers of homes and land for development. I’ve been clear that I want to see more truly affordable homes built and more homes available for social rent across Greater Manchester.
>
> I also want the rewritten Greater Manchester Spatial Framework to specify a date by which all new homes built across Greater Manchester should be net zero carbon. This is all part of my ambition.

West of England housing package

The West of England – covering Bristol, Bath and North East Somerset, South Gloucestershire and North Somerset – is a high housing demand area. Across the region, the average house prices are more than 8 times average incomes, with Bath more than 10 times the average income.

The government's interim package supports the Mayor's with ambitious plans to deliver more homes and tackle affordability challenges. It includes:

- £3 million of funding for specialist support to help the region deliver large housing development
- taking 2 Housing Infrastructure Fund projects through to the next stage of assessment for funding
- exploring the potential for a deal with housing associations in the region to deliver more affordable homes

West of England Mayor, Tim Bowles said:

> We have worked closely with government to secure this announcement, which will see millions of pounds invested in delivering new homes in the West of England. We know that we need more homes, to buy and rent – homes where they are needed at prices people can afford.
>
> This deal will support us to work with our constituent councils, and North Somerset council, to build homes and communities that are well-connected.

Oxfordshire housing deal

The first completed government housing deal has been confirmed with Oxfordshire's 6 local authorities – Cherwell, Oxford City, South Oxfordshire, Vale of White Horse, West Oxfordshire, Oxfordshire County Council – and the Local Enterprise Partnership, OxLEP.

The deal, which is worth £215 million, will:

- deliver 100,000 homes by 2031 – which is significantly above the Local Housing Need figure in the draft National Planning Policy Framework – playing a key role in the emerging Cambridge-Milton Keynes-Oxford corridor where the government recognises the need to build up to 1 million new homes in the area by 2050 to maximise its economic potential
- provide £150 million of the funding to build much needed bridges, roundabouts and roads
- deliver more than 1300 affordable homes by dedicating over a quarter of the new funding, £60 million, to support these new homes

Oxfordshire is also home to 3 garden towns and villages – at Bicester, Didcot and Oxfordshire Cotswold – where government has invested almost £4 million to deliver an additional 30,000 homes.

Cllr Bob Price, Chair of the Oxfordshire Growth Board said:

> I’m pleased that so many councillors of all parties and from all parts of the county have backed the deal. It represents a comprehensive and integrated approach to addressing Oxfordshire’s severe housing shortage and infrastructure challenges.
>
> It demonstrates the government’s commitment to working with Oxfordshire and recognises the critical role the county will play in driving forward the UK economy post-Brexit, attracting global investment.
>
> The government has said the deal represents a ‘downpayment’ on a pipeline of infrastructure investment for Oxfordshire – and we in the county will work with them to ensure that happens.

Housing Infrastructure Fund

With the government committed to building 300,000 homes a year by the mid-2020s, the £5 billion Housing Infrastructure Fund is part of a comprehensive programme to fix the broken housing market.

Last month, ministers confirmed 133 council-led infrastructure projects that received a total of £866 million funding to support local work that will make housing developments viable and get much-needed homes built quicker.

The latest bids from 44 areas across England are for high-impact infrastructure like key roads, rail links and schools with the potential to deliver over 400,000 homes.

They will now move to the co-development stage, where government officials will work with these areas to further develop their bid and assess the projects. However, not all projects will receive funding after this stage or funding amounts could change to the amount originally bid for.

Without this financial support these projects would struggle to go ahead or take years for work to begin, delaying the homes these communities need.

Together with the government’s Industrial Strategy, this funding will provide high-quality infrastructure to support economic growth.

Successful bids will be announced from autumn 2018 onwards and local authorities would then begin building the necessary infrastructure to help speed up new homes being built.

Further details

See further details on the housing packages.

The Housing Infrastructure Fund is a government capital grant programme to

help unlock new homes in areas with the greatest housing demand. Funding is awarded to local authorities on a highly competitive basis.

The £5 billion fund is divided into 2 streams:

- a Marginal Viability Fund – available to all single and lower tier local authorities in England – to provide a piece of infrastructure funding to get additional sites allocated or existing sites unblocked quickly. Bids have a soft cap of £10 million
- a Forward Fund – available to the uppermost tier of local authorities in England – for a small number of strategic and high-impact infrastructure projects. Bids have a soft cap of £250 million

The government will be progressing Forward Funding projects to go through to co-development in the coming weeks, with final funding announced from autumn 2018 onwards. Find more information on the areas being taken forward to co-development.

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Please use this number if you're a journalist wishing to speak to Press Office
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Press release: New charges announced for regulatory services

The Environment Agency has today published its new charging scheme for regulatory permits and services, which will be effective from 1 April 2018.

The new charges have been introduced so that businesses and organisations cover the full cost of the services they receive rather than the public – this represents a more financially-sustainable model which is simpler, fairer and more effective and that will lead to long-term environmental improvements. Charges for permits and other regulatory services have remained static for the last 7 years.

The charges were drafted with feedback from industry and were subject to a public consultation. The consultation response document is also being published today, which includes the changes we have made as a result of comments we have received from customers, trades associations and the public.

The charges reflect the amount of regulatory effort needed at a site and will allow the Environment Agency to invest further in our permitting service. Businesses that are well-managed and low-hazard present a low environmental risk and will be charged less. Higher-risk or poor-performing businesses will be charged more.

Neil Davies, Environment Agency Director of Regulatory Charges, said:

> Our work to regulate industry protects and enhances the environment. The changes that have been announced following the recent consultation will mean that businesses and not the public pay for the full services they use. This is more financially-sustainable, will lead to a better service to businesses and long-term improvements to the environment.
>
> We have been engaging with trade associations over the last year while we were developing these proposals. Their input into this process has been really valuable and the feedback has helped shape the new fee structure.

Environment Minister Thérèse Coffey said:

> The Environment Agency carries out a valuable role in regulating the impact of businesses and industry on the environment and it is right that those that benefit from this service should cover the full cost.

The new charging structure will create a simpler, fairer and more sustainable system which will enable better regulation and protection for the environment.

The new charges will come into effect on the 1st April 2018 – the start of the new financial year.

Speech by CS at Exhibition of World's Longest Span Bridge LEGO Bricks opening ceremony (English only)(with photos/video)

Following is the speech by the Chief Secretary for Administration, Mr Matthew Cheung Kin-chung, at the Exhibition of World's Longest Span Bridge LEGO Bricks opening ceremony today (March 21):

Professor Ken Ho (Chairman of ICE Hong Kong Association); Chai-kwong (Vice President of ICE Hong Kong Association, Professor Mak Chai-kwong); CK (Permanent Secretary for Development (Works), Mr Hon Chi-keung); Robin (Global Long Span and Speciality Bridges Director of AECOM, Mr Robin Sham); Charlton (Regional Executive of AECOM, Mr Charlton Wong); David (Director of Property of the MTRC, Mr David Tang); distinguished guests, ladies and gentlemen,

Good evening! I am delighted to join you all tonight to witness the opening of the World's longest Lego Bridge reassembled in Hong Kong. First of all, my heartfelt congratulations to Institution of Civil Engineers (ICE) on your 200th anniversary and my sincere gratitude to ICE Hong Kong Associate for bringing the world's longest Lego Bridge to Hong Kong!

Lego bricks are clear winner of the most popular toy across all ages and genders. They are fascinating toys for kids and can be turned into creative art work for adults. This evening, it will be presented in the form of an engineering wonder – the world record-breaking Lego Bridge made of 260 000 pieces of Lego bricks. This Lego Bridge was designed by our bridge expert, Dr Robin Sham who is a world-renowned specialty bridge director. The Bridge was first exhibited in the ICE Library in London in 2016. Now it is launched in Hong Kong to celebrate ICE's bicentenary.

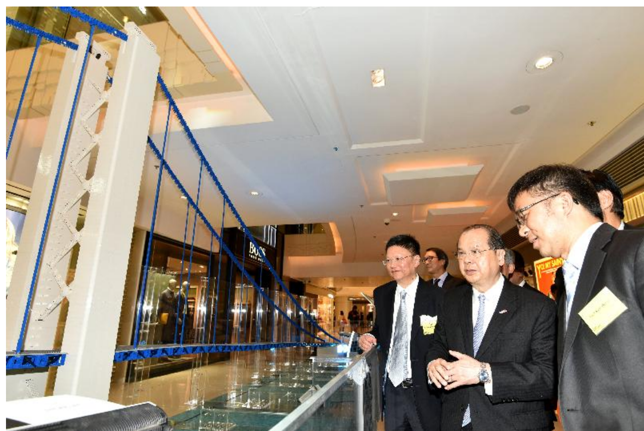
The exhibition today showcases the creativity, technical know-how, critical thinking, team spirit of civil engineers, perseverance and helps inspire our younger generation to learn deeply and think critically in STEM (Science, Technology, Engineering and Mathematics) subjects and understand

what civil engineering is and why it is important. Indeed, hands-on learning is a critical part of civil engineering. ICE has generously made special arrangements for some 80 secondary students from 8 different schools to gain hands-on experience in assembling the key components of this Lego Bridge.

The Government is committed to promoting STEM education to nurture young talents in face of rapid scientific and technological development worldwide. The Chief Executive, in her inaugural Policy Address last October, stated that the Government will collaborate with tertiary institutions and other relevant organisations to arrange more large-scale quality activities, namely education fairs related to science and technology, to provide more opportunities for students to apply what they have learnt and share their learning with each other. The STEM Education Centre newly set up in the Arts and Technology Education Centre at Lok Fu has also commenced operation to provide training and relevant teaching support to primary and secondary school teachers and students. In parallel, the Education Bureau has updated the curricula of STEM Education Key Learning Areas, and completed the drafting of a supplementary document on "Computational Thinking-coding Education" for use by schools. To further arm the leadership and management tier of all primary and secondary schools with relevant skillsets to plan and implement school-based activities related to STEM, we have launched a series of intensive training programmes as part of their professional development.

However, Government's effort alone is not enough. We need the support of relevant sectors like the ICE Hong Kong Association and general public, particularly on young people, to promote STEM education and further enrich our students' learning. The exhibition of the longest Lego Bridge in Hong Kong is a shining example of how the community can help raise the interest of the general public in innovation and technology and allow our students to have positive experience in applying engineering knowledge in daily life.

On this note, I wish the exhibition a great success and ICE many prosperous years ahead! Thank you!



Scientific Committee on Vaccine Preventable Diseases discusses seasonal influenza situation and enhanced vaccination in upcoming influenza season

The Scientific Committee on Vaccine Preventable Diseases (SCVPD) under the Centre for Health Protection (CHP) of the Department of Health met today (March 21) to review the latest situation of the local 2017/18 winter influenza season and recommendations to enhance seasonal influenza vaccination for the upcoming 2018/19 season among other issues.

At the meeting, members noted that the overall local influenza activity has been on a decreasing trend in recent consecutive weeks and is gradually approaching the baseline level. The predominating virus of this winter influenza season has been influenza B.

According to the latest surveillance data, the percentage of respiratory specimens tested positive for seasonal influenza viruses received by the CHP's Public Health Laboratory Services Branch peaked at 27.21 per cent in the week ending February 17 and declined to 13.23 per cent in the week ending March 17.

The number of institutional influenza-like illness (ILI) outbreaks peaked at 115 cases (affecting 706 persons) in the week ending February 3 and dropped to 30 cases (144 persons) in the week ending March 17.

The weekly average rate of the ILI syndrome group in the accident and emergency departments decreased from the peak of 275.1 cases per 1 000 coded cases in the week ending February 17 to 172.8 in that ending March 17. In the same period, the overall admission rate with principal diagnosis of influenza in public hospitals also decreased from the peak of 1.51 per 10 000

population to 0.46.

While the winter influenza season has shown signs to subside, the SCVPD agreed that vaccination is one of the most effective ways to prevent seasonal influenza and its complications.

Ways to enhance vaccination in school children were also explored at the meeting. Members were briefed that the CHP is proactively preparing for the launch of the "School Outreach Vaccination Pilot Programme" (Pilot Programme). Under the Pilot Programme, it is proposed that the Government will provide free outreach influenza vaccination services to the primary schools either by the Government Outreach Team or Public-Private-Partnership Outreach Team, with the aim of increasing seasonal influenza vaccination uptake among primary school children in the 2018/19 school year.

With the assistance of the Education Bureau, the CHP held briefing sessions to primary schools on the proposed arrangement of the Pilot Programme. They have also been invited to express their interest in participating in the Pilot Programme.

For the upcoming 2018/19 season, the SCVPD endorsed that the composition of the recommended vaccines should be in line with the World Health Organization (WHO)'s recommendations.

â€‹In accordance with the recommendation of the WHO, the quadrivalent influenza vaccines to be used in the 2018/19 Northern Hemisphere (NH) influenza season contain:

* A/Michigan/45/2015 (H1N1)pdm09-like virus;
* A/Singapore/INFIMH-16-0019/2016 (H3N2)-like virus;
* B/Colorado/06/2017-like virus (B/Victoria/2/87 lineage); and
* B/Phuket/3073/2013-like virus (B/Yamagata/16/88 lineage).

It also recommended that the influenza B virus component of trivalent influenza vaccines for use in the 2018/19 NH influenza season to be a B/Colorado/06/2017-like virus of the B/Victoria/2/87-lineage.

For more information on SIV and CHP's Vaccination Schemes, the public may call the CHP's hotline (2125 2125) or visit the CHP's Vaccination Schemes page and frequently asked questions on SIV.

Questions and Answers on a Fair and Efficient Tax System in the EU for the

Digital Single Market

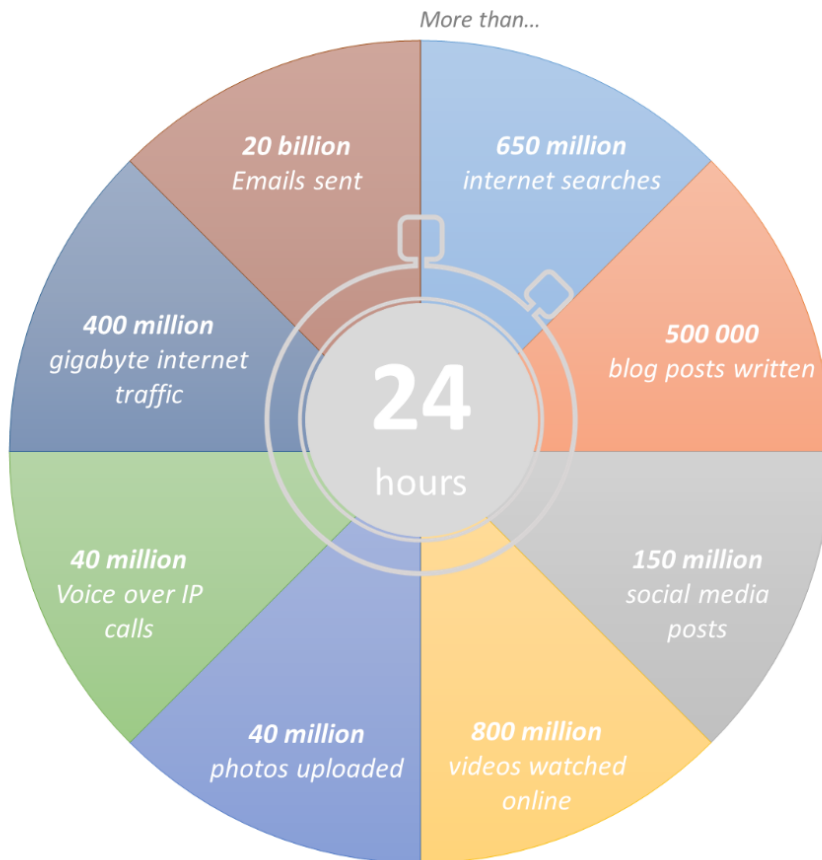
Every day, 20 billion emails and 150 million social media posts are written, and 650 million online searches are carried out in the EU. These statistics show how much the internet has transformed our lives. Yet not everything has kept pace: global corporate tax rules are over one hundred years old and are out of step with the boom in the digital economy. They were designed for 'brick-and-mortar' businesses, meaning that a company should be physically present in a country to be taxed there. Companies that do business and generate value online are now growing far quicker than the economy at large, yet today's rules cannot effectively tax profits generated largely from consumer data.

The EU has embraced the development of the digital economy, which is making a great contribution to economic growth. But this has also created a major fiscal distortion: the effective tax rate for digital companies – such as social media companies, collaborative platforms and online content providers – is around half that of traditional companies – and often much less.On average, digitalised businesses face an effective tax rate of only 9.5%, compared to 23.2% for traditional business models.

At the same time, EU Member States are under increased political pressure to ensure that all businesses – both digital and traditional – pay their fair share of tax. There is a real risk to Member State tax revenues if profits made by digital companies cannot be taxed. Last September, EU finance ministers called for a common EU solution to tackle the challenges of digital taxation, a call echoed by EU leaders in October 2017. The European Parliament has also demanded quick and ambitious action on digital taxation.

EU citizens and business are also calling for Member States and the Commission to take action to improve the fairness of tax systems. Nearly three-quarters (74%) of citizens want EU action to fight against tax avoidance. In a recent public consultation, three quarters of respondents agreed that current international taxation rules allow companies with digital business models to benefit from certain favourable tax regimes and push down their tax contributions. Some 82% believed that something should be done.

The taxation of the digital economy is a key part of the Commission's fair taxation agenda with President Juncker noting the need for digital companies to pay their fair share of taxes in his 2017 State of the Union speech. In its Communication last September, the Commission committed to examining the options for digital taxation with a view to developing a common EU approach.



(*Source: Commission services based on InternetLiveStats.com*)

Today's package complements the extensive work already done at EU level in recent years to ensure fair, effective and growth-friendly corporate taxation in the Single Market. It supports the Commission's key priority of completing the Digital Single Market. The EU proposals for taxing the digital economy should also provide inspiration and create momentum for the ongoing international work on digital taxation, steered by the G20 and OECD. At the same time, the solution at EU level must also take into account the global dimension: the OECD has committed to bring forward a report on the next steps internationally by 2020. By being a first adopter of digital tax solutions, the EU can be at the forefront in shaping the global response.

What are the main problems?

Today's international corporate tax rules are not fit for the realities of the modern global economy and do not capture business models that can make profit from digital services in a country without being physically present. Current tax rules also fail to recognise the new ways in which profits are created in the digital world, in particular the role that users play in generating value for digital companies. As a result, there is a disconnect – or 'mismatch' – between where value is created and where taxes are paid.

Given the rapid pace at which the digital economy is growing, this situation poses several risks that should be tackled urgently:

– **The system is unfair and there's no level playing field** as traditional companies tend to carry a heavier tax burden than digital ones. Today's tax systems give an advantage to digital business models for a variety of reasons. In some cases this is intentional, for example to foster digitalisation and R&D activities. But in other cases, mismatches and loopholes between different national systems, combined with the mobile and 'virtual' nature of digital businesses, reduce the tax burden much more than expected. It is quite common for digital companies to have tax levels close to zero in countries where they have a significant market share.

– **Member States' tax revenues are at risk** if they cannot tax profits from digital activities. EU countries are under increasing pressure to take action to tax the digital economy, in order to safeguard public finances that pay for schools, hospitals and transport and ensure a level playing field. Several EU countries are already taking unilateral action, creating inconsistencies and loopholes in the Single Market and making it a legal minefield for companies.

– **Digital companies need a stable, competitive environment to thrive.** The EU needs modern, fair and growth-friendly tax rules to support the growth of the Digital Single Market. Above all else, companies need a stable, predictable environment and one set of rules across the EU to do business.

What are you proposing?

Today's package consists of:

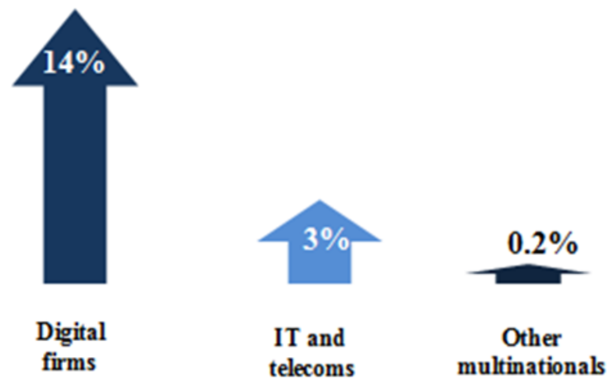
– A **common EU solution for the taxation of the digital economy** in the EU, enabling Member States to tax profits made in their territory, even if a company does not have a physical presence there. The new rules would ensure that online businesses contribute to public finances at the same level as traditional 'brick-and-mortar' companies. This proposal is accompanied by a **Recommendation** to Member States to amend their Double Taxation Treaties with third countries so that the same rules apply to EU and non-EU companies. The Commission has offered to assist Member States with exploratory talks on implementing the digital corporate tax update at international level.

– A new **interim tax for digital services**, which would apply to the most urgent gaps and loopholes in the taxation of digital activities. The measure ensures that those activities which are not currently effectively taxed would begin to generate immediate revenues for Member States.

Why is the taxation of the digital economy such an urgent global issue?

Digital companies are growing far faster than the economy at large, and this trend is set to continue. In 2006, only one digital company was in the top 20 firms by market capitalisation, whereas by 2017 this had risen to 9 digital companies. The challenge is to make the most of these digital opportunities to ensure Europe's competitiveness, while ensuring fair taxation. Profits should be taxed where the value is created. However, how the value is created has evolved with new business models while the rules for taxing profits have remained the same. This makes it very difficult to tax profits where the

value is created from digital activities.



Value Creation in the Digital Economy

In the digital economy, value is often created from a combination of algorithms, user data, sales functions and knowledge. For example, a user contributes to value creation by sharing his/her preferences (e.g. liking a page) on a social media forum. This data will later be used and monetised for targeted advertising. The profits are not necessarily taxed in the country of the user (and viewer of the advert), but rather in the country where the advertising algorithms has been developed, for example. This means that the user contribution to the profits is not taken into account when the company is taxed.

How does this fit in with international work?

The EU wants to create momentum behind the ongoing international work on digital taxation. In its Communication last September, the Commission stressed that the ideal solution to taxing the digital economy would be at global level. Member States agreed with this in their discussions and conclusions on digital taxation last year. The EU has been actively supporting the OECD's work on this issue, and is keen to see ambitious and effective solutions implemented internationally. The OECD's report to the G20 in April will be an important step in that direction.

But progress at international level on digital taxation is challenging. The EU cannot afford to delay any longer, given the growing number of problems related to digital taxation. In line with calls of EU leaders, the Commission has proposed EU solutions for the fair and effective taxation of the digital economy.

In developing these proposals, the Commission was in close and regular contact with the OECD, G20 and other international partners, to keep the EU and global approach as aligned as possible. The EU proposal should feed the international debate and help push our global partners into action by providing a clear example of how the principles under discussion at international level can be transformed into a modern, fair and efficient

corporate taxation framework adapted to the digital era.

The Commission has taken into account the parameters agreed at global level, as well as existing Member State practices in designing the interim solution.

Will consumers have to bear the cost of new tax measures for the digital economy?

There is no reason why this should happen, provided that companies behave responsibly towards their customers. The Commission's goal is to ensure that all companies contribute their fair share to public revenue. This aim is to secure a level playing field between different types of companies, which is important for fair competition. Pushing out competitors by offering low prices that are compensated through tax dumping is not a sustainable situation for companies.

Are these proposals compatible with the EU's Digital Single Market?

Yes. By proposing a fair and effective EU solution to digital taxation, the Commission aims to improve certainty, stability and ease of business for companies in the Digital Single Market. A common EU approach will prevent a patchwork of uncoordinated national measures from creating new barriers for companies and distorting competition in the Digital Single Market.It will ensure a level playing field in the Single Market so that all companies – large or small, more or less digitalised – pay their fair share of tax. However, today's proposals will also ensure that digital start-up and scale-up companies are not unduly burdened. The proposed thresholds will ensure that only the largest businesses that have a significant digital presence or make large amounts of revenue in EU Member States will come under the scope of the new rules.

Fair and effective taxation is essential to support the Digital Single Market. It cannot reach its full potential if young and innovative companies are held back by antiquated tax rules. The Digital Single Market could contribute €415 billion to the European economy, boosting jobs, growth, competition, investment and innovation. The value of the data economy in the EU will increase to €739 billion by 2020, representing 4% of overall EU GDP. With digitalisation, cross-border opportunities for even the smallest companies will increase.

Do the new proposals discriminate against non-EU digital companies?

The new rules do not target or ring-fence any individual companies, sector or nationality. The common structural approach covers all companies, both EU and non-EU that have a significant digital presence in the Union. Any EU company or non-EU company located in a country where there is no applicable double tax treaty, with a significant digital presence in a Member State will be subject to taxation on its digital activities. Similarly, the interim tax is designed in a way that it includes both EU and non-EU companies. Our goal is to ensure a level-playing field for all businesses operating in the EU, large or small, more or less digitalised.

A COMMON EU SOLUTION FOR TAXING THE DIGITAL ECONOMY

What are the key elements of the common EU solution to taxing the digital economy, proposed by the Commission?

Under the proposed new rules, Member States will be able to tax profits that are generated in their territory, even if these companies do not have a physical presence there. A company will be considered to have a significant digital presence in a Member State if it fills **one** of the following criteria:

– It exceeds a threshold of €7 million in annual revenues from digital services in a Member State

– It has more than 100,000 users who access its digital services in a Member State in a taxable year

– Over 3000 business contracts for digital services are created between the company and business users in a taxable year.

This reform addresses two of the main problems that Member States encounter when it comes to taxing digital activities:

- First, it will no longer be necessary for a company to be physically present in a Member State in order for it to be taxed. A significant digital presence will allow Member States to tax profits generated in their territory.
- Second, factors such as user data will now be taken into account in the allocation of profits, since they play an increasingly important role in companies' value creation. Today's proposal changes the system for allocating taxable profits, to better reflect the different ways in which digital companies create value.

What does the Commission propose on allocating digital profits and how is this different from today's rules and the CCCTB?

The proposed rules lay down the general principles for allocating profits to a significant digital presence. These build on the current corporate tax rules which look at the risks managed, the functions performed and the assets used by a permanent establishment and the criteria for allocating profits. Today's proposal also includes additional tests in the profit allocation process to reflect the fact that a significant part of a digital business' value is created where users are based and data is collected. This means that the market value of user data or of digital services could be taken into account when allocating profits to tax in the future.

While this broad reform of the current corporate tax rules is a standalone Directive, which would operate independent of other tax frameworks, the measure could eventually be integrated into the scope of the Common Consolidated Corporate Tax Base (CCCTB). The proposed CCCTB is considered the optimal solution to create fairer and more efficient taxation in the EU. It provides a solid EU framework for revised permanent establishment rules. Adapting the CCCTB in line with today's proposed new rules would ensure that it effectively captures the digital activities of multinational companies

too. The Commission stands ready to work with Member States and the European Parliament to make this happen. The Parliament's reports on the CCCTB are a good basis for further work.

Why has the Commission recommended that Member States adapt their Double Tax Treaties with non-EU countries in line with today's proposal?

This broad reform of the EU's corporate tax system would supersede double taxation treaties between Member States. The proposed new rules will also apply if a Member State does not have a double taxation treaty with a third country.

However, when Member States have double tax treaties with third countries, the proposed new rules will not apply. This means that, unless the tax treaties are adapted, the new provisions will not apply in situations where a business with EU users is tax resident outside the EU. This could disrupt the level playing field between EU and non-EU businesses. Tax treaties are an area of national sovereignty, which is why the Commission has issued a Recommendation to Member States to take the necessary measures. The Recommendation states that Member States should make the following changes to their Double Tax Treaties:

- change the definition of a 'permanent establishment' to take into account situations where a company has a significant digital presence in given country/jurisdiction.
- include rules for how profits should be attributed to a significant digital presence, in line with the provisions proposed by the Commission.

The Commission also stands ready to help Member States identify the key third countries to prioritise in their negotiations to implement this solution at international level. This may help to ensure a smooth and consistent approach by all Member States.

Double Tax Treaties

Different countries have their own tax laws. If you are resident in one country and have income and gains from another, you may have to pay tax on the same income in both countries. This is known as 'double taxation'. To avoid companies from being taxed twice on the same income, the allocation of taxing rights between two countries is laid down in bilateral double tax treaties. These treaties lay down the rules of 'where to tax', i.e. what triggers a right to tax in a country, and 'how much to tax', i.e. how much of corporate income is allocated to a country.

Why has the Commission proposed an interim tax?

THE INTERIM SOLUTION

The interim tax would target the most urgent gaps and loopholes in the taxation of digital activities. The measure ensures that those activities which are not currently effectively taxed would begin to generate immediate revenues for Member States. The aim is to ensure a level playing for all

businesses, whether EU or non-EU based, large or small, more or less digitalised.

Today’s proposal for an interim digital tax will discourage Member States from seeking their own divergent solutions to the challenges they face which would create a patchwork of national solutions, risking the fragmentation of the Single Market. A significant number of Member States have already started to take such measures.

If agreed first, this measure would only apply until Member States have agreed and implemented the more forward-looking proposed reforms to their corporate tax systems.

How will the tax work?

The interim tax will apply to two main types of digital services, which would not be able to exist in their current form without user involvement. The common feature of such services is that they are heavily reliant on the exploitation of user participation or data obtained from users as a way to generate revenues.

- Firstly, it will cover services where the main value is created by user data, either through advertising or by the sale of the data collected by companies such as social media or search engines.
- Secondly, it will cover services of supplying digital platforms that facilitate interaction between users, who can then exchange goods and services via the platform (such as peer-to-peer sales apps).

The proposal for an interim tax focuses on activities with the biggest gap between the value created and Member States’ ability to tax them – essentially where user participation and user contribution plays a central role in value creation. The tax will be collected by the Member States where the users are located. A number of countries already have a similar tax in place, including Israel, India and some US states.

This interim measure ensures that those activities which are currently not effectively taxed would begin to generate immediate revenues for Member States. Revenues would be collected by the Member States where the users are located, and will only apply to companies with total annual worldwide revenues of €750 million and annual EU revenues of €50 million. The first threshold will limit the tax to companies of a certain scale and ensure legal certainty for companies and tax authorities in determining who is liable for tax. At the same time, it will help to ensure that smaller start-ups and scale-up businesses remain unburdened. The second threshold will ensure that the tax only applies to companies with a significant digital footprint in the EU.

An estimated €5 billion in revenues a year could be generated for Member States if the tax is applied at a rate of 3%. This single rate, once applied throughout the EU would help to avoid “tax shopping” and distortions in the Single Market. The proposed rate of 3% was chosen after a careful analysis of many different factors and impacts, including the tax burdens of businesses

with different margins.

This tax will apply only as an interim measure, until the updated corporate tax rules to underpin the digital economy have been implemented.

How exactly will Member States know when the tax is due and how will they collect it?

As with all other taxes, the interim tax is based on a system of self-declaration by taxpayers. Member States will be able to carry out tax audits to check that taxpayers are fulfilling their obligations (as they do in the traditional economy). A digital portal, known as the One-Stop-Shop, system will be set up to help companies comply. As part of that system, one Member State will be responsible for identifying the taxpayer, collecting the tax and allocating it to other Member States as appropriate.

Is there a risk of double taxation and new administrative burdens with the interim tax?

The retained approach does not breach any double tax treaties with third countries or WTO rules. It remains fully grounded on the most basic principle of corporate taxation – namely, that profits should be taxed where value is created. Moreover, the Commission has included measures in the proposal to mitigate the risk of double taxation. Companies will be able to deduct the tax as a cost from their corporate tax base, alleviating the risk of being taxed twice on the same income. At the same time, simply by introducing this coordinated EU tax, the Commission is averting the risk of new burdens for business due to interim unilateral measures in individual countries.

Furthermore, the tax proposed today has a relatively simple structure and additional compliance costs will be quite limited. The tax will also only apply to businesses that exceed the thresholds of revenues for specific activities, so SMEs will not be affected. The online One Stop Shop system should also help businesses that have to pay the tax in more than one Member State.

When will the interim tax be wound down? How will the transition be handled?

The tax is intended as a temporary solution to help Member States claw back some revenues and to address the immediate risks to EU competitiveness, while the common EU solution is being discussed, developed and implemented by Member States.

The more holistic solution will give Member States the right to tax digital activities vianew corporate taxation rules and will also capture the concept of ‘user value creation’ – to which the interim tax applies. Therefore, there will be no need for it to remain in place once the final, permanent tax rules for the digital economy have been implemented.