Spain proposes a digital services tax

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In brief
The Spanish Minister of Finance announced the week of April 30 that the government will propose to Parliament a new digital services tax (DST) that would align with the draft EU Directive presented by the European Commission (EC) on March 21. The government’s aim is for the new tax to be in force before the end of 2018.

In detail
The 2018 Budget negotiations, combined with the additional public spending resulting from Budget amendments that the government accepted to secure passage of the Budget in Congress (the lower house of Parliament), provide the backdrop for the Spanish Minister of Finance’s unexpected announcement.

In the course of the Budget negotiations, the government agreed to increase all public pensions beyond what was initially contemplated. In order to fund this additional cost, the government announced its intention to propose a DST. The Stability Programme and Budgetary Plan Update 2018 (SPBPU 2018) sent to the EC on April 30 confirms the announcement.

While details of the DST’s proposed operations have not been released, SPBPU 2018 states that the new tax would follow the design principles included in the draft EU Directive on the common system of a DST. (For additional details, see PwC Tax Policy Bulletin, OECD and EC release disparate recommendations on tax and the digitalisation of the economy). The DST therefore “would apply only to companies with large annual revenues” and “would only tax revenue resulting from the provision of certain digital services.” SPBPU 2018 does not cover the scope of services that would be subject to the DST, the revenue threshold, the rate of tax, or compliance requirements.

SPBPU 2018 includes estimated additional revenue from the DST of EUR 600 million in 2018 and EUR 1.5 billion in 2019, indicating that the government seeks to pass this enabling legislation this year.

The takeaway
This announcement follows a trend of unilateral measures taken by countries around the world in response to digitalization and globalization. Multinational enterprises with operations in Spain, particularly those relying on digital interaction, should consider the potential impact of the proposed DST on their current and future service offerings.
Let’s talk

For a deeper discussion of how this might affect your business, please contact:

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