



Confederation of Danish Industry



Helsinki March 16, 2018

Minister for Finance, Denmark, Mr. Kristian Jensen
Minister for Taxation, Denmark, Mr. Karsten Lauritzen
Minister of Finance, Finland, Mr. Petteri Orpo
Minister for Finance, Sweden Ms. Magdalena Andersson

Dear Finance Minister,

Representing the major business organization in our respective Nordic country, with companies active domestically and globally in a wide range of economic sectors, we have a vital interest in the current tax debate. We write to you in anticipation of the conclusion of the EU Commission's ongoing work on 'A Fair and Efficient Tax System in the European Union for the Digital Single Market.'

Let us first make the obvious point that we share the view that companies should pay taxes where value is created. Companies are an integral part of our economies, creating value for our societies, providing jobs and tax revenues to be used for investments and social objectives.

Nordic businesses are increasingly concerned that they may face taxes that are not based on profits or value creation. The move to base corporate taxation on the market where products and services are sold rather than on where production, strategic decisions and headquarters are located, where financing and risks are taken, leads to conflicting taxation claims between countries and unwarranted uncertainty.

If companies must pay taxes where sales are made, they are likely to also bring costs to that country. This process entails moving innovation, research, production and functions abroad. Such a process results in the loss of jobs with potentially severe tax revenue losses in our countries.

The most recent developments in relocating international taxation rights, following changes already made in the G-20 decisions on Base Erosion and Profit Shifting (BEPS), are proposals to levy taxes on turnover of the use of digital data. Our economies have many start-up firms in the so called digital economy. Taxation based on the use of data may not only hamper the development of such businesses but may also eventually lead to a shift in taxation rights to larger economies where sales or data gathering takes place. Taxation would be levied even if the companies do not show any profit while the Nordic countries have often allowed deductions for research and development costs. We consider such a shift in taxation rights to other countries both unfair and unjustified. It will make it harder for our governments to achieve social objectives.

For Europe to prosper and to be competitive, we consider the development of start-ups as essential. Moreover, our larger businesses in manufacturing and logistics must not risk meeting increasing taxation claims from countries with large markets.

Our economies are digitalized and data-driven. Digital commerce encompasses any economic activity involving the movement of information, services and products across borders. Efforts to ring-fence the “digital economy” have proved impossible. The Commission made this very point in its Expert Group on Taxation of the Digital Economy 2014 report. While short term measures may not increase the tax burden of the vast majority of our businesses, nonetheless they will shift taxation rights outside our borders. This means that accepting changes aimed at the digital economy will mean accepting changes for all companies. Therefore, we underline the need to reach an international agreement at the OECD level, ensuring fair treatment of small exporting economies like the Nordic economies.

We are united in our belief that any new international tax rules must be established by multilateral bodies so that there is consistency with established international tax rules and coordination around any new rules that address the digital economy. While the economy is rapidly changing and new policies may be necessary, replacing current rules and norms with unilateral rules would greatly and undeniably harm our companies.

We trust you take our concerns into consideration in your important deliberations at various international fora.



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