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eu travel tech

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OECD Agreement Needed to Rein in Digital Services Taxes

In light of the outcome of this week's negotiations on the Multilateral Convention (MLC) to implement the OECD's so-called Pillar One solution on the re-allocation of taxing rights, eu travel tech calls on governments to show commitment and ambition in finalizing the process. In the interest of a swift implementation of Pillar One across the globe, the MLC should be opened for OECD Member States' signatures as quickly as possible.

The OECD's Pillar One solution is a necessary reform to eliminate harmful and discriminatory Digital Services Taxes and other excessive unilateral tax measures, which have a disproportionate impact on travel technology businesses.

Digital Services Taxes present a pressing challenge for travel technology companies for several reasons:

- As with the travel sector in general, travel technology companies operate on comparatively low profit margins, particularly when compared with the largest global tech players. As DSTs are levied not on profits but on revenues, travel technology companies are affected particularly harshly, as such taxes cut directly into already low margins.
- As countries have continued to introduce DSTs over the past years, the risk of double taxation has grown, particularly for travel technology companies. In online travel distribution, customers book services in other countries via platforms. The traveler and service provider are often both users of the platform. Online travel platforms are remunerated for their intermediation services through a commission based on the amount of the transaction. In cases where both the country of the traveler and the country of the service provider have introduced DSTs, the income from the transaction for the travel platform is subject to DST in both states, leading to double taxation. Double taxation can further arise where revenues are subject to other unilateral tax measures in addition to DSTs, such as corporate income taxes, without a mechanism to offset.
- Online travel platforms rely on marketing to draw customers onto their channels. In this context, advertising via the services of Alphabet (Google) has become a necessity, as many traveler booking journeys begin on Google's search engine. Online travel platforms are among the most significant sources of advertising revenue for Google. Tech giants such as Alphabet and Amazon have publicly stated their approach to DSTs is to simply pass the cost onto their users, meaning advertisers in the case of Google. Online travel platforms are thus confronted with their own DST liabilities, in addition to raised advertising costs due to DSTs levied on tech gatekeepers. Due to a highly competitive and price-sensitive market, travel platforms are however unable to pass DST-related costs onto their users.

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We welcome the Outcome Statement of 11 July and commend members of the Inclusive Framework for committing to refrain from imposing newly enacted DSTs or relevant similar measures until 31 December 2024. This extension of the DST standstill agreement is crucial to account for further negotiations and the time needed for implementation and ratification processes of the MLC. The extension of the standstill will prevent a harmful proliferation of DSTs in the interim. In this context, the possibility to further extend the commitment to 31 December 2025, if necessary, is positive. We would further welcome proactive steps by European governments to immediately remove any existing DSTs once an agreement on Pillar One is reached.

We call on the European Union and its Member States to remain committed to Pillar One as a multilateral framework fit for the digital age, which removes the myriad issues associated with DSTs and creates stability in the international tax framework. **European or even national solutions are not suited to address the taxation challenges** of a global and digitized economy. In this context, we urge the European Commission to **move ahead with the required EU implementation Directive for the OECD Pillar One agreement**, if necessary, ahead of the final agreement at OECD level.

About eu travel tech

eu travel tech represents the interests of travel technology companies. eu travel tech uses its position at the centre of the travel and tourism sector to promote a consumer-driven, innovative and competitive industry that is transparent and sustainable. Our membership spans Global Distribution Systems (GDSs), Online Travel Agencies (OTA), Travel Management Companies in business travel (TMCs) and metasearch sites.

Our members include Amadeus, Booking.com, eDreams ODIGEO, Expedia Group, Travelport, and Skyscanner. Associate members include American Express GBT, etraveli, LastMinute,Trainline and Tripadvisor. Strategic Partners include GetYourGuide.