



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Sir William Cash MP
Chair
European Scrutiny Committee
14 Tothill Street
House of Commons
London
SW1H 9NB

21 November 2018

Frank Bill,

7420/18: Proposal for a COUNCIL DIRECTIVE on the common system of a digital services tax on revenues resulting from the provision of certain digital services

I write to update on recent progress in EU discussions in relation to digital taxation.

As you are aware, Directive 7420/18 establishing a Digital Services Tax is a priority for the Austrian presidency. As such, we believe that the Directive may be put to a vote in December based on the latest version of the ECOFIN agenda.

The overall text of the Directive remains subject to negotiation in several important areas. This includes the date at which the Directive should be transposed, a potential sunset clause, and the appropriate scope of the Directive, in addition to further technical or administrative matters.

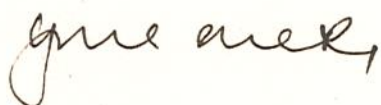
The government is continuing to engage closely with EU partners, and in particular the Austrian Presidency, to make the case for changes that would ensure only a targeted and proportionate Directive is agreed. This includes seeking to ensure the scope is focused on those activities which derive material value from user participation.

As you are aware, the government is receptive in principle to an EU Digital Services Tax, subject to getting the detail right. As a result, should a vote be held, the government's vote is dependent on the final text of the Directive. That said, a number of other Member States have expressed principled opposition, so it may be that in any case no Directive is agreed, even if the government votes in favour.

However in order to be as prepared as possible for all potential outcomes, I am writing to ask whether you would consider granting a scrutiny waiver, or to clear this proposal from scrutiny.

I recognise the good will involved in such an agreement, and appreciate your consideration of the matter, regardless of your response. I will of course write again should it become clear that a different approach is to be followed.

I am copying this letter to Lord Boswell of Aynho, Chair of the House of Lords European Union Committee; Foeke Noppert, Clerk to the Commons Committee; Christopher Johnson, Clerk to the Lords Committee; Matthew Manning, Clerk to the Lords Financial Affairs Subcommittee; Les Saunders, Department for Exiting the European Union; and Barbara Armstrong, Nerys Levin, Victor Peluola and Daniel Jones, HM Treasury.

A handwritten signature in black ink, appearing to read "Julie Aher". The script is cursive and somewhat stylized.A handwritten signature in black ink, appearing to read "Mel". The script is cursive and somewhat stylized.

RT HON MEL STRIDE MP