



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

26 February 2019

Dear Sir William

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

I write further to my letter of 22 December. As I noted in that letter, discussions on an EU Digital Tax continue, based on a French-German proposal to narrow the scope to targeted digital advertising only.

This would place a 3% charge on revenues generated from the targeting of advertising to users in EU Member States via a digital interface.

We welcome this renewed focus on scope, however the concerns outlined in our previous letter remain and the government is continuing to seek clarity of the allocation of taxable revenues between Member States and some issues relating to scope.

The Presidency would like to make progress, and we expect the Directive to be held to a vote at the upcoming ECOFIN on 12 March. Should a vote be held, the government's agreement depends on the extent to which our concerns are addressed. In case these should be addressed, to allow us to vote in favour, I write to request a scrutiny waiver, or that you clear this proposal from scrutiny.

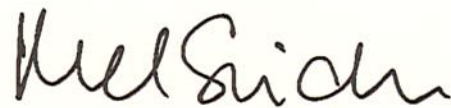
I acknowledge this is not the first such request, but note that the fluidity of these discussions makes judging their outcome difficult. I therefore appreciate your understanding, and hope you can grant this request.

The outcome of these discussions does not affect our intention to implement a UK Digital Services Tax from April 2020, as per the design outlined in our recent consultation document. The relevance of this Directive to our domestic plans will ultimately depend on the nature of the future relationship between the UK and EU, and the text of the final Directive. However the changes we are seeking should minimise any impact on our plans for a DST.

Should you have any further questions I will aim to respond as soon as possible, and will of course write again following the outcome of the ECOFIN meeting.

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.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Mel Stride'. The signature is written in a cursive, slightly slanted style.

RT HON MEL STRIDE MP