proposals could even boost the effectiveness of my own measure," Snel said. "I'll be following developments on this front in the OECD with great interest." ■

SPAIN

Spain Proposes Digital Services and Financial Transaction Taxes

by William Hoke

Spain's government has asked parliament to approve a digital services tax and a tax on financial transactions that it said will generate over €2 billion in revenue annually.

In October the government initiated a consultation for a DST similar to a controversial levy proposed for the EU. The bill sent to the Spanish parliament calls for a 3 percent DST payable by companies with annual worldwide turnover greater than €750 million and Spanish sales exceeding €3 million. The proposed tax would apply to revenues from online advertising, online platforms, and sales of user data.

The European Commission has proposed a 3 percent tax on the revenues of companies with a "significant digital presence" but little or no physical presence in a member state. The commission's proposal, if approved, would apply to companies with at least €750 million in global sales and €50 million of revenues generated in EU member states. Progress on the proposal has bogged down because of opposition from several smaller EU countries.

Spain's plan to implement a national tax on digital activity parallels efforts elsewhere in Europe, and beyond. On January 11 Austria announced plans for a 3 percent tax on the online advertising revenues of multinational digital companies with worldwide annual turnover of €750 million and Austrian annual turnover of €10 million. France, Korea, and the United Kingdom have all announced that they will proceed with their own domestic versions of a DST.

The proposed financial transaction tax (FTT) would subject sales of shares of Spanish companies with a market capitalization of at least €1 billion to a 0.2 percent tax. While Spain and some other EU countries have promoted the idea of an FTT to cover at least a subset of the European Community's member states, the idea has languished in recent years over concerns that it could make financial markets in countries levying the tax less competitive.

The Spanish government thinks the effort, at least at the domestic level, is worth another try. "It is appropriate to implement at a national level this tax that is already in force in France, Italy, and Belgium, but without abandoning the objective of establishing a harmonized tax at the European level," the Council of Ministers said in a February 19 statement.

The government said the tax legislation, if approved, will allow Spain to move toward a more modern and redistributive tax system. The bills "are part of a strategy of adapting taxation to the challenges of globalization and the digital economy in . . . the 21st century," the government said. The DST is projected to generate €1.2 billion of revenue a year and the FTT is expected to bring in another €850 million annually, the government said.

Legislative Prospects

Álvaro Prada, a tax lawyer with Eversheds Sutherland, said Spain's minority government is unlikely to muster sufficient legislative support to pass the 2019 budget, which includes both the DST and FTT proposals.

"However, we cannot discard it, and the government is negotiating with political parties [for] their support," he said.

Santiago Lago-Peñas, a professor of economics at the University of Vigo, said it will be easier to pass the tax legislation than the rest of the budget. "There exists a broad social consensus in Spain of the justice in having the large technology companies and financial operations contribute [to the State] to a greater extent through taxation," he said.

Prada said the proposed DST is consistent with the digital tax that has been under consideration for the EU. "There is uncertainty about how the new tax will be applied, which is one of the reasons why it has been postponed in the EU, and, therefore, we consider that it is not a good tax policy," he said.

Lago-Peñas said that while the tax bills make sense, they won't generate a significant amount of revenue. "They aren't a panacea for resolving Spain's structural public deficit," he said.

Prada said the proposed DST is not covered by Spain's network of tax treaties. "A system for avoiding double taxation has not yet been established," he said.

Lago-Peñas dismissed the possibility of double taxation if Spain's proposed DST is matched by a similar multilateral levy. "If an EU-level or OECD tax is finally implemented, the Spanish tax would either be adapted or, if necessary, eliminated to avoid problems of double taxation," he said.

Prada said the proposed FTT also isn't good tax policy. "It could imply a barrier to financial transactions, making Spanish financial markets less competitive," he said.

At least one study indicated that the 0.2 percent FTT imposed by France in 2012 led to a decline in trading volumes.

Lago-Peñas said he doubts the local stock market will suffer if the proposed tax is implemented. "The tax burden is relatively low," he said. "I don't believe that it will have a substantial effect on the competitiveness of Spanish financial markets." ■