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c/o Afore Consulting  
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Organisation for Economic Cooperation and Development (OECD)  
Tax Policy and Statistics Division,  
Centre for Tax Policy and Administration

12<sup>th</sup> November 2019

Dear Sir/Madam,

I am writing to you on behalf of European Payment Institutions Federation (EPIF) in response to the OECD's invitation for public input on the Secretariat Proposal for a "Unified Approach" under Pillar One.

EPIF represents the non-bank payment sector at the European level and counts over 190 authorised payment institutions and other non-bank payment providers as members. Our membership comprises a wide range of diverse business models from card issuers and acquirers, electronic wallets, mobile and electronic payment and initiation services, cash remitters and processors.

EPIF is supportive of the OECD's efforts to reform the global taxation system to meet the needs of the Digital Age and ensure fair distribution of tax revenue. We strongly believe that any such reforms should be pragmatic and proportionate, and take into account the important contributions of the payments sector to the wider global economy.

The reason why our members are successful businesses is because they have harnessed current technology and in some cases are developing future technology to identify and meet gaps in the financial services market. Our members feel strongly that the technology that drives their businesses is highly valuable and the value drivers can be identified very well through the OECD Development, Enhancement, Maintenance, Protection and Exploitation (DEMPE) framework. This should result in appropriate and fair taxation.

EPIF therefore welcomes the opportunity to voice our concerns and recommendations on a number of points on the proposed approach to Pillar One.

Please find below EPIF's views on the OECD's Unified Approach. These views are based on the understanding of OECD's background information as set out in the consultation briefing.

- **Defining a "Consumer-facing business"** - we are unsure whether this is a useful distinction, not an absolute concept. It would be helpful to have further clarification over what is considered a consumer-facing business and how the proposal would apply in a situation where a business only needs minimal interaction from a consumer whilst in fact it is B2B.

- **Loss allocation** - there needs to be a mechanism for allocating out losses in the early stages of a business that can be utilised when eventually profit making.
- **Business lines** - there needs to be a clear rationale and process for distinguishing between different lines. High-growth businesses evolve rapidly and it may be difficult to draw clear lines here.
- **Minimising Compliance burdens** - we believe the OECD should consider approaches to minimise compliance burden. It should be possible for a business to select a reporting country and to submit a consolidated reporting (similar to country-by-country reporting), this would require strict information exchange and a clear collection mechanism.
- **Consistency of definitions and approach** - we would emphasise the importance of a consistent application and implementation of proposals by Member States to minimise the likelihood of double taxation / double non-taxation and lengthy disputes.
- **Financial services carve-out** - we would support a carve-out for financial services and related infrastructure supporting the electronic provision of financial services. Countries already have a mechanism to regulate these businesses; requiring them to have a local presence where this is in line with their foreign investment policy. Taking specifically the example of payments, payment transactions have multiple intermediaries. This often also involves new FinTech companies that can be fundamentally different from other financial services companies.
- **Exemptions** - Where a group falls within the exemption, and the majority of revenue principally / predominantly relates to exempt activity, the company should be fully outside the scope of this regime.
- **Double Tax Relief** - Ensuring that double tax will not apply, particularly where tax is being imposed on notional items under A. The rules should ensure that a full credit is available and not restricted by domestic rules of the "home" country.
- **VAT** - Nexus rules and market allocations are effectively creating a virtual PE for corporate tax purposes. The rules should clearly state that no VAT implications arise as a result of profit allocations under Pillar 1.