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Torsten Fensby, Final remark

Sweden must abandon the nay-saying policy in tax matters

In a March 14 reply, Krister Andersson criticized my "startling defense of the digital services tax" and praised the government's handling of the matter. I do not find the arguments particularly convincing.

During the 1990s, I had the privilege of being part of an OECD team led by Clinton administration officials who, over a period of just a few years, had great success in the field of global tax policy.

The lessons from that period were many, but somewhat simplified, to be successful in international tax policy, you have to abide by the following rules:

- Do not resist progress or change. Instead, try to steer changing circumstances in the direction that benefits your interests as much as possible.

The government does the opposite. The ongoing digitization and globalization process have opened up opportunities for businesses to engage in completely new types of commercial activity. The new business models are so groundbreaking that both established economic theories and international tax rules have become completely upended.

In light of these developments, fighting all proposals that involve "departures from current tax rules that apply internationally" is as meaningful as insisting on the continued application of traffic rules for horse-drawn carriages after the transition into motorized traffic.

- Never say “no” unconditionally to anything. If the pressure for change is large enough, you will only be rounded and end up on the periphery.

The government does the opposite. The scope of the digital services tax - including the original proposal from March 2018 - is so narrowly defined that only a single Swedish multinational company (Spotify) would have been partially affected by the tax. The Swedish obstruction policy in the EU has now led to the digital tax instead being implemented at national level in a number of EU countries, and that both minimum taxes and destination-based rules risk being introduced via an unholy alliance between the world's major powers in the tax area. The latter rules will not only affect Spotify, but the entire Swedish multinational industry.

- Try to advance your interests in the context where you have the most room for maneuvering.

The government does the opposite. Sweden has more influence and better chances of rallying support for its views in the EU than at the OECD. This does not mean that the government should "completely surrender" at the EU level. But if Sweden had negotiated constructively with the proponents of the digital services tax, Spotify's interests could have been protected without any problems.

Sweden's conduct at the EU is now the main reason for the issue being transferred to the OECD. The assumption that Sweden through “successful joint Nordic action” will be able to prevent the OECD from agreeing on departures from “established rules” is simply naive. On the one hand, the Nordic countries do not have the ability to block issues in the OECD, and on the other hand, the OECD is today governed by a group of large countries whose tax policy interests are in direct opposition to the Nordic ones.

- Look through the smoke screen and try to identify the hidden intentions of countries and international organizations.

The government's actions are a testimony of its ignorance of the workings of international tax policy. Neither the OECD nor the United States cares about the global public interest or "established rules". It is only badly concealed self-interests that govern their common desire to achieve "global solutions" and "uniform rules for industry" within the OECD.

The United States is prepared to sacrifice "established rules" overnight if that benefits its interests. The US tax reform is telling proof of this. Moreover, the United States has no real problem with letting other countries tax their digital giants. They are only fighting the adoption of rules that prevent the United States from getting the largest share of the tax pie. Hence the United States' newfound interest in destination-based corporate tax rules.

The OECD feels that the EU is threatening its traditional monopoly as a global “rulemaker". The OECD therefore never misses an opportunity to undermine EU attempts to establish itself as a major power in the field of international tax policy. The OECD chief said recently he was "*agnostic about the future of transfer pricing rules*". This signals that the OECD is ready to sell out "established rules" without hesitation as long as all "rulemaking" takes place under the OECD umbrella.

It is therefore in the interest of both the United States and the OECD to rule and divide within the EU to get the issues transferred to the OECD. One can only admire how skillfully they have behaved to obtain that result.

The foregoing as well as my previous opinion should give the Government sufficient reason to review its positions on these issues. Sweden must abandon the nay-saying and develop a long-term strategy. After all, the long-term future of the Swedish multinational industry is at stake.