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# Tax And The Digital Economy Challenges And Propos

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*Tax Theory*

*Applied to the  
Digital  
Economy*  
World Bank  
Publications  
Digital  
technology  
allows

businesses to  
operate in a  
country  
without a  
physical  
presence,  
which poses  
challenges for

traditional taxation. The digital debate focuses on direct taxation and the creation of new taxing rights arising from the tax claims of market jurisdictions on income obtained by foreign digital suppliers conducting business therein without any physical presence. Tax Theory Applied to the Digital Economy analyzes the tax-disruptive aspects of digital business

models and reviews current tax initiatives in light of traditional tax theory principles. The analysis concludes that market countries' tax claims are unsubstantiated and contravene the most basic foundations of tax theory, giving rise to a series of legal, economic, tax policy, and tax administration issues that policy makers cannot overlook. The authors propose establishing a digital data

tax (DDT) that is a license-type consumption tax, rather than an income tax, on the international supply of Internet bandwidth to access digital markets. The DDT can be applied either globally or unilaterally, and could become a significant source of tax revenues for market jurisdictions. It is aligned with tax principles and it does not conflict with other tax initiatives: the DDT taxes

foreign digital companies as consumers, while income tax proposals tax them as suppliers. The authors also propose creating a new global internet tax agency (GITA) under the auspices of the United Nations that would provide a neutral forum for political discussion and technical assistance in the area of digital taxation. The digital economy is a global phenomenon that requires a global

solution: the creation of global taxing mechanisms and global institutions that provide technical assistance and support for successful global implementation. The book explains difficult technical concepts in plain language and contributes to the digital tax debate in a way that can be understood by anyone. Such understanding is essential to obtaining global support,

achieving tax compliance, and fostering multilateral tax cooperation. *Value Added Tax and the Digital Economy* Universidad de los Andes "In 2018, the total global e-commerce market worth roughly USD 7.7 trillion. Despite the size of this economy and its extraordinary growth rate, many multinational companies paid little tax in the countries in which they did business. This

is not a problem that can be ignored. Digital companies grow much faster than other firms. In 2006, technology companies accounted for 7% of the top 20 market capitalisation of EU companies, by 2017 this had grown to 54%. Digital companies rely less on physical presence utilising intellectual property, enabling companies to set up a business far

away from their consumers, where some of the actual economic activity takes place. Most concerning is the fact that, on average, digitalised businesses face an effective tax rate of only 9.5% compared to 23.2% for traditional business models.<sup>1</sup> Consequently, there is widespread concern from governments and the public about the low level of income tax paid by

companies operating in the digital economy"--  
*International VAT/GST Guidelines*  
OECD Publishing  
The international tax system is in dire need of reform. It allows multinational companies to shift profits to low tax jurisdictions and thus reduce their global effective tax rates. A major international project, launched in 2013, aimed to fix the system, but failed to

seriously analyse the fundamental aims and rationales for the taxation of multinationals' profit, and in particular where profit should be taxed. As this project nears its completion, it is becoming increasingly clear that the fundamental structural weaknesses in the system will remain. This book, produced by a group of economists and lawyers, adopts a different approach and starts from

first principles in order to generate an international tax system fit for the 21st century. This approach examines fundamental issues of principle and practice in the taxation of business profit and the allocation of taxing rights over such profit amongst countries, paying attention to the interests and circumstances of advanced and developing countries. Once this conceptual

framework is developed, the book evaluates the existing system and potential reform options against it. A number of reform options are considered, ranging from those requiring marginal change to radically different systems. Some options have been discussed widely. Others, particularly Residual Profit Split systems and a Destination Based Cash-

Flow Tax, are more innovative and have been developed at some length and in depth for the first time in this book. Their common feature is that they assign taxing rights partly/fully to the location of relatively immobile factors: shareholders or consumers.

**Tax Sovereignty and the Law in the Digital and Global Economy**

Kluwer Law International B.V.  
Time to discuss anti-

BEPS measures around digitalization In the course of the BEPS Report on Action 1, it was concluded that there was no instantaneous need for specific rules to address base erosion and profit shifting (BEPS) made possible by the digitalization of enterprises and new digital businesses. At the same time, it was acknowledged that general measures may not suffice with the

assessment of results to begin in 2020. While awaiting possible fundamental reforms of the tax framework, it is time to discuss anti-BEPS measures bearing in mind the peculiar features of the digital economy such as increased mobility, no need for physical presence, and dematerialization. The Book focuses on five key areas of interest: International Tax Policy Tax

Treaty LawTransfer PricingIndirect Taxation IssuesEU Law“Taxation in a Global Digital Economy” analyses the issues and addresses the five key areas of interest from various viewpoints. <i>The Role of Digital Platforms in the Collection of VAT/GST on Online Sales</i> OECD Publishing This article looks at the digital economy from the perspective of indirect taxation.	Service supplying platforms with non-neutral pricing strategies are at the centre of this examination. In particular, this article focuses on the now common business model of completely disregarding monetary compensation from individuals for supposedly "free" electronic services. Even in the context of extensive legal debate, economic research into the phenomenon	of "free" services has so far been secondary. This article looks at other platform users who pay monetary consideration for the possibility of advertising on the platform, and considers this from an economic perspective. Arguments in support of economic third-party consideration are more convincing than the debate surrounding barter transactions. Changes to the status quo
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which are aimed at potential under-taxation are likely to result in over-taxation. How additional taxation, for example the briskly discussed digital services tax, will affect players is anything but clear. From a theoretical viewpoint, the justification for over-taxation is missing. The author concludes that change is unnecessary both as regards current legislation and

current jurisprudence. The digital economy drags VAT into another era, where consumption is far less direct and personal than ever before.

### **Taxing Profit in a Global Economy**

Taylor & Francis  
This report provides practical guidance to tax authorities on the design and implementation of a variety of solutions for digital platforms, including e-commerce marketplaces,

in the effective and efficient collection of VAT/GST on the digital trade of goods, services and intangibles. In particular, it includes new measures to make digital platforms liable for the VAT/GST on sales made by online traders through these platforms, along with other measures including data sharing and enhanced co-operation between tax authorities and digital platforms.



*Taxing the Digital Economy* Organization for Economic The French Digital Council has presented its findings on the taxation of the digital economy to Fleur Pellerin, Minister Delegate for Small and Medium-Sized Enterprises, Innovation and the Digital Economy, and Bernard Cazeneuve, Minister Delegate for the Budget. Approved by the members of the Council, the opinion is accompanied by a report on

the consultation held since March, led by Godefroy Beauvallet, Vice-President of the Council. The consultation was built around contributory meetings that brought together more than 120 individuals, including elected officials, businesses and start-ups, professional associations, lawyers, independent administrative authorities, administrators, experts and researchers.

Following this process, the Council approved an opinion recommending: An immediate initiative at international and sub-European levelIncreased transparency and controlsAvoidance of the unilateral and immediate implementation of a specific national taxThe rollout of a European digital industry strategy  
**Deconstruct to reconstruct**  
OECD Publishing

Boasting trillion-dollar companies, the digital economy profits from our emotions, our relationships with each other, and the ways we interact with the world. In this timely book, Tim Jordan deftly explores the workings of the digital economy. He discusses the hype and significance surrounding its activities and practices in order to outline important concepts, theory, and

policy questions. Through a variety of in-depth case studies, he examines the areas of search, social media, service providers, free economic activity, and digital gaming. Companies discussed include Google, Baidu, Uber, Bitcoin, Wikipedia, Fortnite, and World of Warcraft. Jordan argues that the digital economy is not concerned primarily with selling products, but relies instead

on creating communities that can be read by software and algorithms. Profit is then extracted through targeted advertising, subscriptions, misleading 'purchases', and service relations. The Digital Economy is an important reference for students and scholars getting to grips with this enormous contemporary phenomenon. Taxation in a Global Digital Economy Linde Verlag GmbH

Bachelor Thesis from the year 2019 in the subject Law - Tax / Fiscal Law, grade: A, University of Nairobi (School of Law), course: Dissertation, language: English, abstract: This dissertation explores the concept of the digital economy, its rapid growth, and the tax challenges it has introduced, both locally and internationally . It examines the general characteristic of a sovereign	state and its inherent right to tax source on income generated within its jurisdiction. The dissertation attempts to investigate the taxability of the digital economy where business is conducted without the requirement of a physical presence, a pre-requisite for tax administration . How can states and especially Kenya detect permanent establishment, for purposes of tax	administration , for an economy that is heavily reliant on intangible assets and a business model based on data, network effects, and user-generated content. It therefore, focuses and looks at the scope of Kenya's legislative and policy frameworks and its effectiveness in taxing the digital economy. Digital businesses and especially multinational
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digital enterprises have been able to take advantage of the tax laws and policies that were written for an industrial age and are ill suited for today's digital economy. The Action Plan on Base Erosion and Profit Shifting, by the Organization for Economic Co-operation and Development set out to answer the fundamental issues of BEPS (aggressive tax avoidance planning strategies),

but it in itself fell short of expectations as it was not able to recommend practical, implementable solutions that would close the gaps that exist in the digital economy tax administration. The findings revealed that BEPS is not a single problem faced by all states but states face different BEPS problems and evaluate them from their own state-centred perspectives. Hence, the development of many interim

measures by different states to tax the digital economy as the international community is still trying to come to a consensus on the possible, practical solutions. The current Kenyan tax framework on taxation of the digital economy is obscure as only recent Bills tabled in Parliament try and address the issue in depth. In light of the findings of this research, it was established

that the problem is not so heavy on laws and regulation on taxation of goods sold electronically, but rather, implementation of the applicable laws where they exist. The paper finally recommends possible amendments to the Kenyan legal framework and the proposed amendments are assessed by means of comparison with what has taken place in other jurisdictions.

**Taxation in**

**the Digital Economy**

Kluwer Law International B.V. Digital transformation is revolutionising economies and societies with rapid technological advances in AI, robotics and the Internet of Things. Low and middle-income countries are struggling to gain a foothold in the global digital economy in the face of limited digital capacity, skills, and fragmented global and

regional rules.

**Tax Theory Applied to Taxing the Digital Economy**

International Monetary Fund The spread of the digital economy poses challenges for international taxation. This report sets out an analysis of these tax challenges. It notes that because the digital economy is increasingly becoming the economy itself, it would not be feasible to ring-fence the digital economy from

the rest of the economy for tax purposes. The report notes, however, that certain business models and key features of the digital economy may exacerbate BEPS risks, and shows the expected impact of measures developed across the BEPS Project on these risks. The report also describes rules and implementation mechanisms to enable efficient collection of value-added tax (VAT) in

the country of the consumer in cross-border business-to-consumer transactions, which will help level the playing field between foreign and domestic suppliers. The report also discusses and analyses options to deal with the broader tax challenges raised by the digital economy, noting the need for monitoring developments in the digital economy over time.

### **Taxation**

**History, Theory, Law and Administration** Springer  
Looks at how the Internet is affecting businesses, education, and government, touching on the twelve themes of the new economy and privacy issues  
*The Challenge of the Digital Economy*  
Conseil national du numérique  
This volume presents contributions that analyse the extraordinary impact of digital

<p>technology on business, services, and the production of value in many sectors of the economy. At the heart of this book is the fact that the entire digital economy is now worth almost 6% of global GDP, and it continues to grow at an unprecedented rate. The volume covers the general debate on taxation and the digital economy with the chapters by Russo, Makiyama and Boccia, before</p>	<p>completing the analysis with discussion of three national case studies covering the U.S. (Pagano), U.K. (Leonardi) and Italy (Boccia and Leonardi). Contributors are leading experts in the fields of taxation and the digital economy and contextualise the key issues surrounding the digitalisation of the economy from an international perspective. <u>Addressing the Tax Challenges of</u></p>	<p><u>the Digital Economy</u> Springer Nature This book analyzes the tax disruptive aspects of new digital business models to determine the need for new tax measures to address the tax challenges of the digitalization of the economy, and presents a proposal for the adoption of a Digital Data Tax (DDT) and a Global Internet Tax Agency (GITA). <i>Digital Revolutions in</i></p>
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<p><i>Public Finance</i> Org. for Economic Cooperation &amp; Development Digital commerce – the use of computer networks to facilitate transactions involving the production, distribution, sale, and delivery of goods and services – has grown from merely streamlining relations between consumer and business to a much more robust phenomenon embracing efficient business</p>	<p>processes within a firm and between firms. Inevitably, the related taxation issues have grown as well. This latest edition of the preeminent text on the taxation of digital transactions revises, updates and expands the book’s coverage. It includes a detailed and up-to-date analysis of income tax and VAT developments regarding digital commerce under the</p>	<p>OECD and G20 Base Erosion and Profit Shifting (BEPS) reforms. It explores the implications of digital commerce for US state sales and use tax regimes resulting from the 2018 US Supreme Court decision in <i>Wayfair</i>. It discusses cross-border tax in the United States while continuing to focus on tax developments throughout the world. Analysing the practical tax consequences of digital</p>
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commerce from a multijurisdictional perspective, and using examples to illustrate the application of different taxes to digital commerce transactions, the book offers in-depth treatment of such topics as the following: how tax rules governing cross-border digital commerce are increasingly applied to all cross-border activities; how tax rules and institutional processes have evolved to confront

challenges posed by digital commerce; how an emerging 'tax war' is developing whereby different countries are unilaterally imposing new tax rules on cross-border digital commerce; how technology enhances tax and cross-border tax information exchanges; how technology reduces both compliance and enforcement costs; cross-border

consumption tax issues raised by cloud computing; and different approaches to the legal design of VAT place of taxation rules. The authors offer insightful views on the likely development of new approaches to taxing cross-border digital commerce. This edition, while building on the analysis of the relationship between traditional tax laws and the Internet in the first edition and its

predecessors, contains a more explicit and systematic consideration of digital commerce issues and the ongoing policy responses to them. Tax professionals and academics everywhere will welcome the important contribution it makes towards the design of cross-border tax rules that are both conceptually sound and practical in application. 'A tour de force ... much larger and richer

than its predecessors ... a massive contribution to the growing literature on the taxation of e-commerce.'  
 – Rita de la Feria, British Tax Review  
 'Provides important understanding s for ongoing policy discussions ... I would warmly recommend.'  
 – P. Rendahl, World Journal of VAT/GST Law  
*Taxation of the Digital Economy*  
 Oxford University Press  
 The economic analysis of the

digital economy has been a rapidly developing research area for more than a decade. Through authoritative examination by leading scholars, this Handbook takes a closer look at particular industries, business practices, and policy issues associated with the digital industry. The volume offers an up-to-date account of key topics, discusses open questions, and provides

guidance for future research. It offers a blend of theoretical and empirical works that are central to understanding the digital economy. The chapters are presented in four sections, corresponding with four broad themes: 1) infrastructure, standards, and platforms; 2) the transformation of selling, encompassing both the transformation of traditional selling and new, widespread application of

tools such as auctions; 3) user-generated content; and 4) threats in the new digital environment. The first section covers infrastructure, standards, and various platform industries that rely heavily on recent developments in electronic data storage and transmission, including software, video games, payment systems, mobile telecommunications, and B2B

commerce. The second section takes account of the reduced costs of online retailing that threatens offline retailers, widespread availability of information as it affects pricing and advertising, digital technology as it allows the widespread employment of novel price and non-price strategies (bundling, price discrimination), and auctions, as well as better tar. The third section

addresses the emergent phenomenon of user-generated content on the Internet, including the functioning of social networks and open source. Finally, the fourth section discusses threats arising from digitization and the Internet, namely digital piracy, privacy and internet security concerns. Taxation in a global digital economy McGraw-Hill Companies The International

VAT/GST Guidelines present a set of internationally agreed standards and recommended approaches for the consistent application of VAT to international trade, with a particular focus on trade in services and intangibles. *Taxation of the Digital Economy* Routledge The digital revolution raises the question as to whether the international tax rules remain fit for

purpose in an increasingly changing environment. The relationship between the digital economy and the existing categories of international taxation is usually approached assuming the existence of a conflict. Is that the right approach to address the question? Although the term "digital economy" is widely used, it relates only to the digital space while it suggests the exclusion of the physical

one. The author of this article has a different standpoint and proposes to develop a model of taxation of the internet that goes beyond the narrowest scope of the digital economy and better reflects the modern economy where the virtual and physical worlds are closely interdependent and interconnected. The study contributes to develop a concept of internet community by

establishing why it is likely to be a new qualitative key indicator in the coming decades both for purpose of defining the "sufficient economic presence" and allocating profits. *Tax and the Digital Economy* International Monetary Fund The ever-increasing digitalization of businesses has accelerated the need to address the many shortcomings and unresolved

issues within the international corporate income tax system. In particular, the customer or "user"—through their online activities—is now considered by many as being a critical driving force behind the value of digital services. Furthermore, the rapid growth of digital service providers over the last decade has made them an increasingly popular target for special taxes—similar to wealth and

solidarity taxes—which can also help mobilize much-needed revenues in the wake of a crisis. This paper argues that a plausible conceptual case can be made to tax the value generated by users under the corporate income tax. However, a number of issues need to be tackled for user-based tax measures to become a reality, which include agreement among countries on whether user

value justifies a reallocation of taxing rights, establishing the legal right to tax income derived from user value, as well as an appropriate metric for valuing user-generated data if it is ever to be used as a tax base. Furthermore, attempting to tax only certain types of business is ill-advised, especially as user data is now being exploited widely enough for it to be recognized as an input for

almost all businesses. Several options present themselves for consideration—from a modified permanent establishment definition combined with taxation by formulary apportionment, to user-based royalty-type taxes—each with their own merits and misdemeanors.

**Taxing  
Global  
Digital  
Commerce**  
Cambridge  
University  
Press

Tax practitioners are unfamiliar with tax theory. Tax economists remain unfamiliar with tax law and tax administration . Most textbooks relate mainly to the US, UK or European experiences. Students in emerging economies remain unfamiliar with their own taxation history. This textbook fills those gaps. It covers the concept of taxes in regards to their rationale, principles, design, and common errors. It addresses distortions in consumer choices and production decisions caused by tax and redressals. The main principles of taxation—efficiency, equity, stabilization, revenue productivity, administrative feasibility, international neutrality—are presented and discussed. The efficiency principle requires the minimisation of distortions in the market caused by tax. Equity in taxation is another principle that is maintained through progressivity in the tax structure. Similarly, other principles have their own ramifications that are also addressed. A country’s constitutional specification of tax assignment to different levels of government—central, state, municipal—are elaborated. The UK is more centralised

than the US and India. India has amended its constitution to introduce a goods and services tax (GST) covering both central and state governments. Drafting of tax law is crucial for clarity and this aspect is addressed. Furthermore, the author illustrates different types of taxes such as individual

income tax, corporate income tax, wealth tax, retail sales/value added/goods and services tax, selective excises, property tax, minimum taxes such as the minimum alternate tax (MAT), cash-flow tax, financial transactions tax, fringe benefits tax, customs

duties and export taxes, environment tax and global carbon tax, and user charges. An emerging concern regarding the inadequacy of international taxation of multinational corporations is covered in some detail. Structural aspects of tax administration are given particular attention.