



PECC-CSIS GLOBAL DIALOGUE – TAX AND DIGITALISATION

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Tax is a global issue

- G20 has championed the international tax agenda over the past decade
- Ending bank secrecy, bringing fairness to corporate taxation, assisting developing countries and ensuring tax certainty
- OECD has 36 members, but in tax matters need a global level playing field:
 - Global Forum on Transparency and Exchange of Information in Tax Matters – 154 members
 - Inclusive Framework on Base Erosion and Profit Shifting – 134 members



Achievements

- 90 + jurisdictions engaged in automatic exchange of information on 47 million offshore accounts, with a total value of around EUR 4.9 trillion
- bank deposits in IFCs have fallen by approx. 34% over the past ten years
- 21 000 previously secret tax rulings have now been exchanged
- over 250 tax regimes have been reviewed to see if they are harmful – those that were have been fixed
- CbC reports exchanged by over 80 jurisdictions
- TIWB – 59 programs launched, over USD480 million collected



Tax and Digitalisation

Globalisation and digitalisation having huge impact on tax policy and administration:

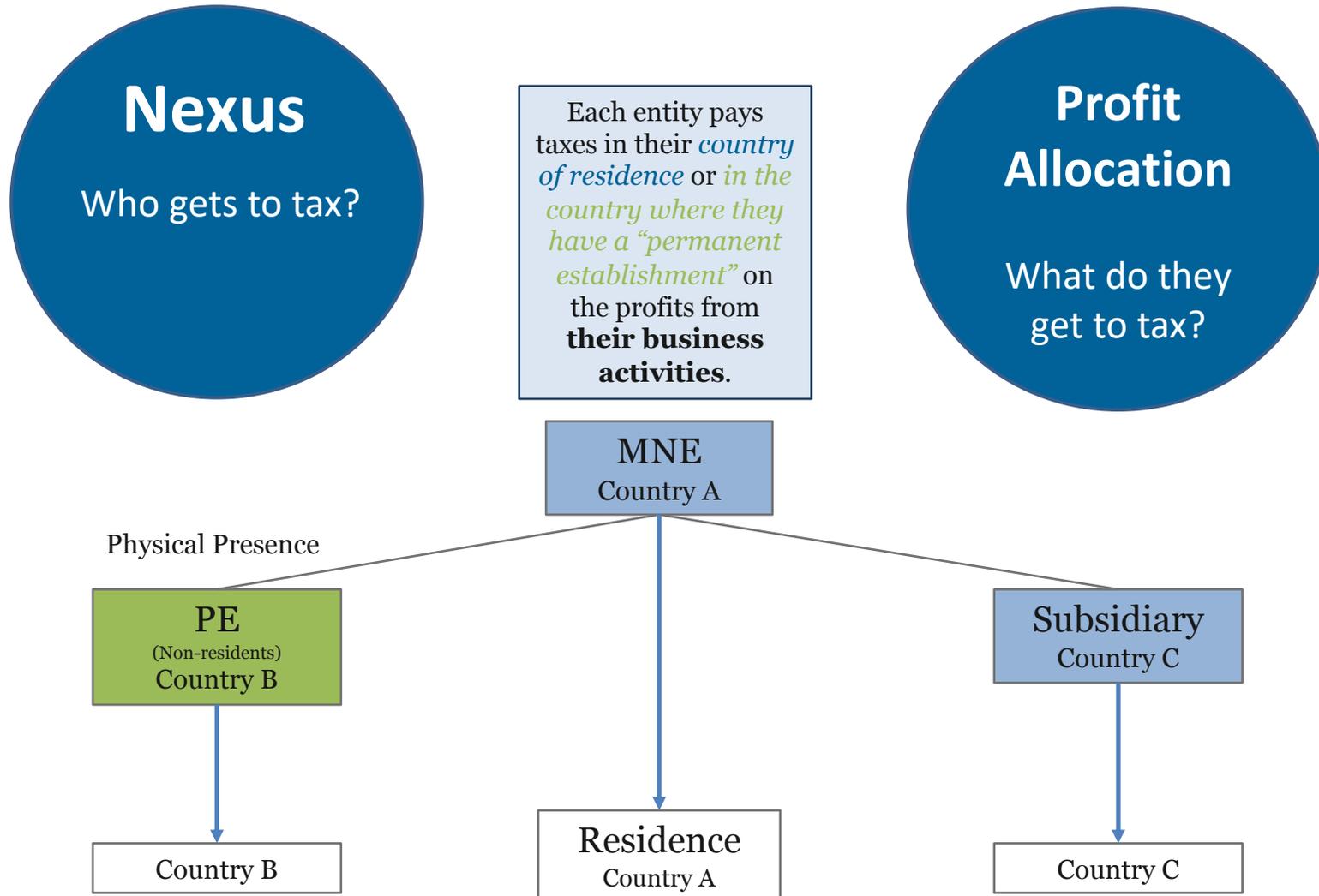
- International tax rules developed 100 years ago – need to be revisited
- Changes to the way people work affect the tax base
- Technology offers tremendous possibilities for tax administration



DIRECT TAX AND DIGITALISATION

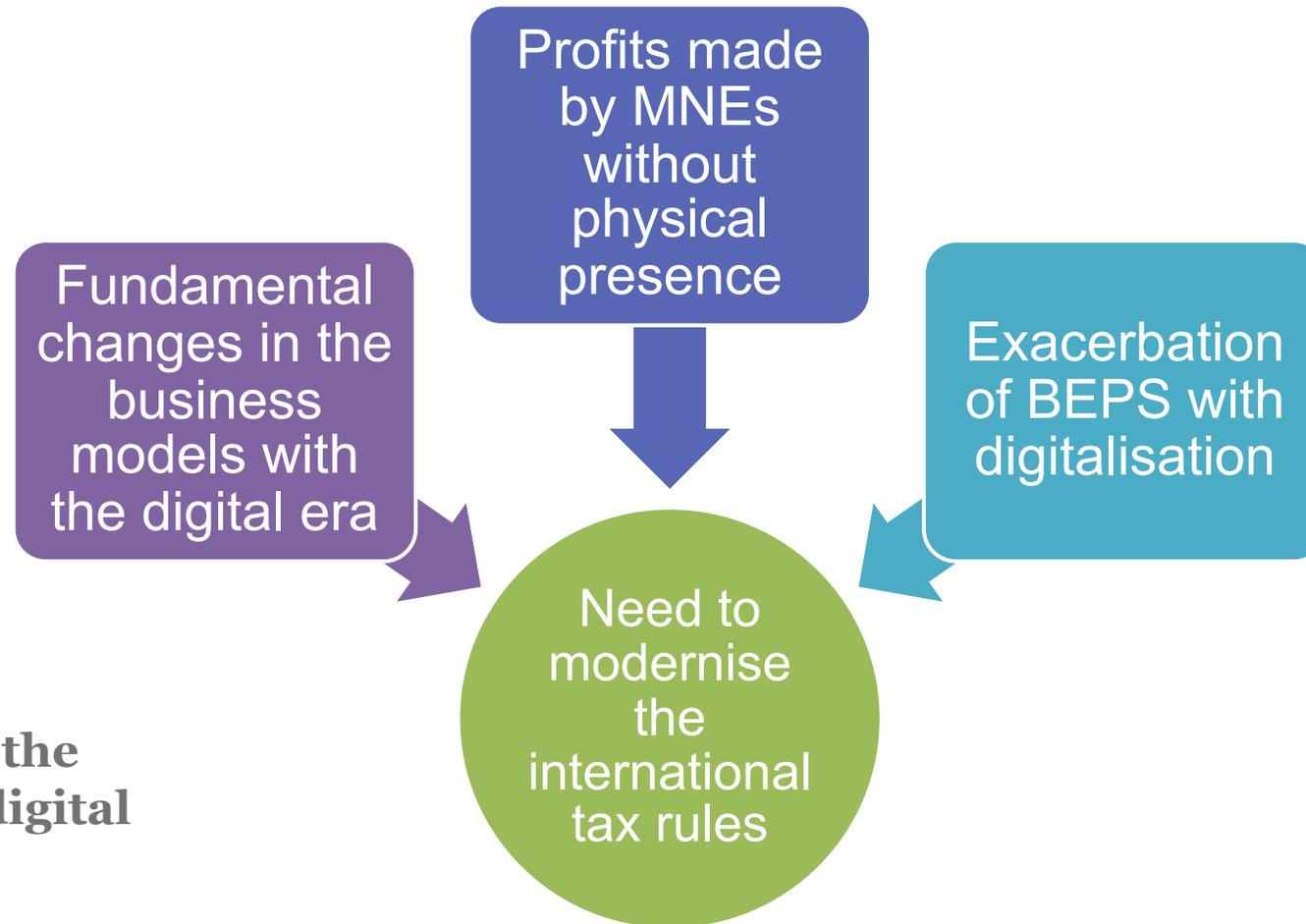


Key concepts of the international income tax system





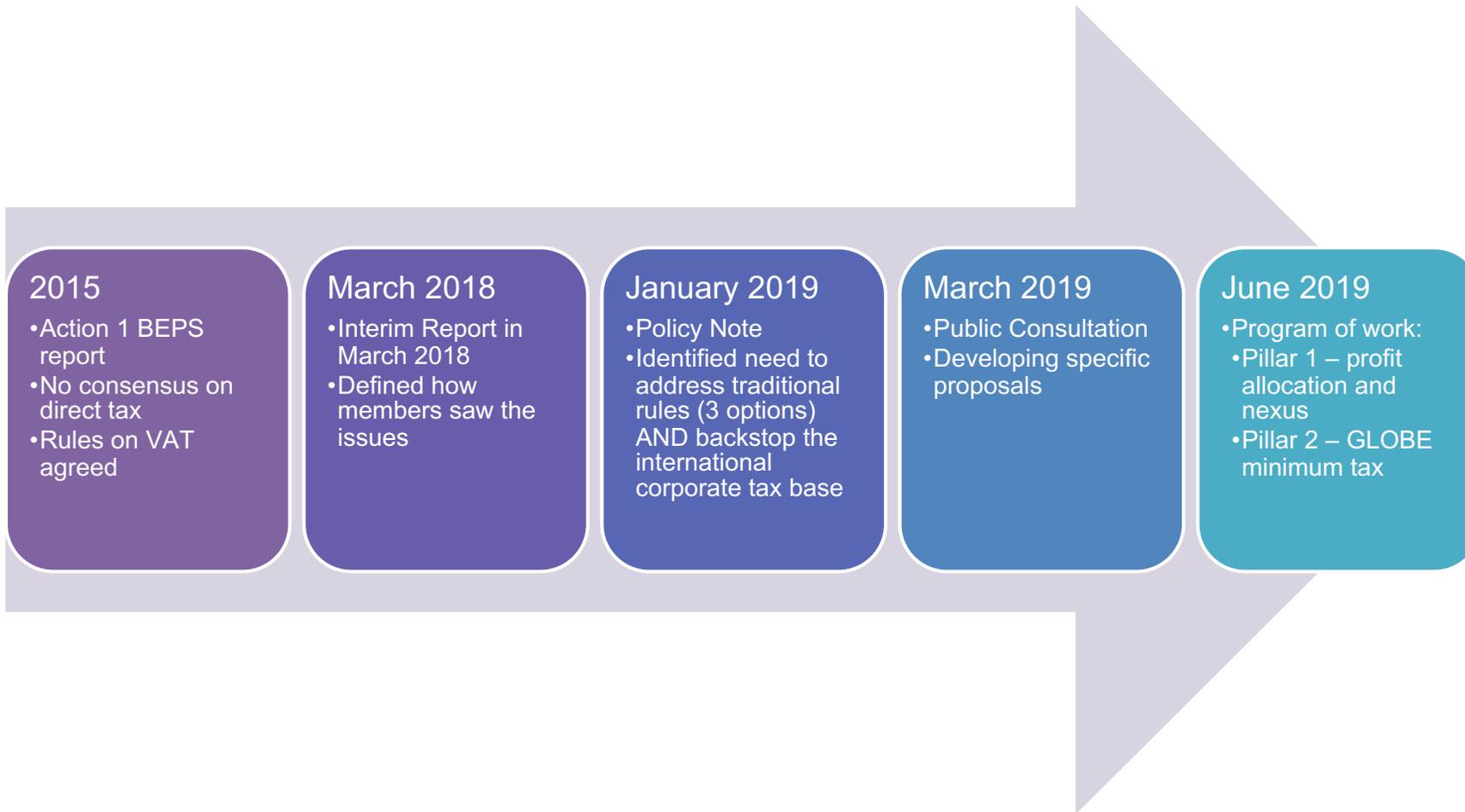
Digitalisation: what is the issue for tax policy?



Digitalisation of the economy NOT “digital economy”



What achievements so far?





Main considerations

Urgency: risk on uncoordinated unilateral tax measures by countries

Political support and steer

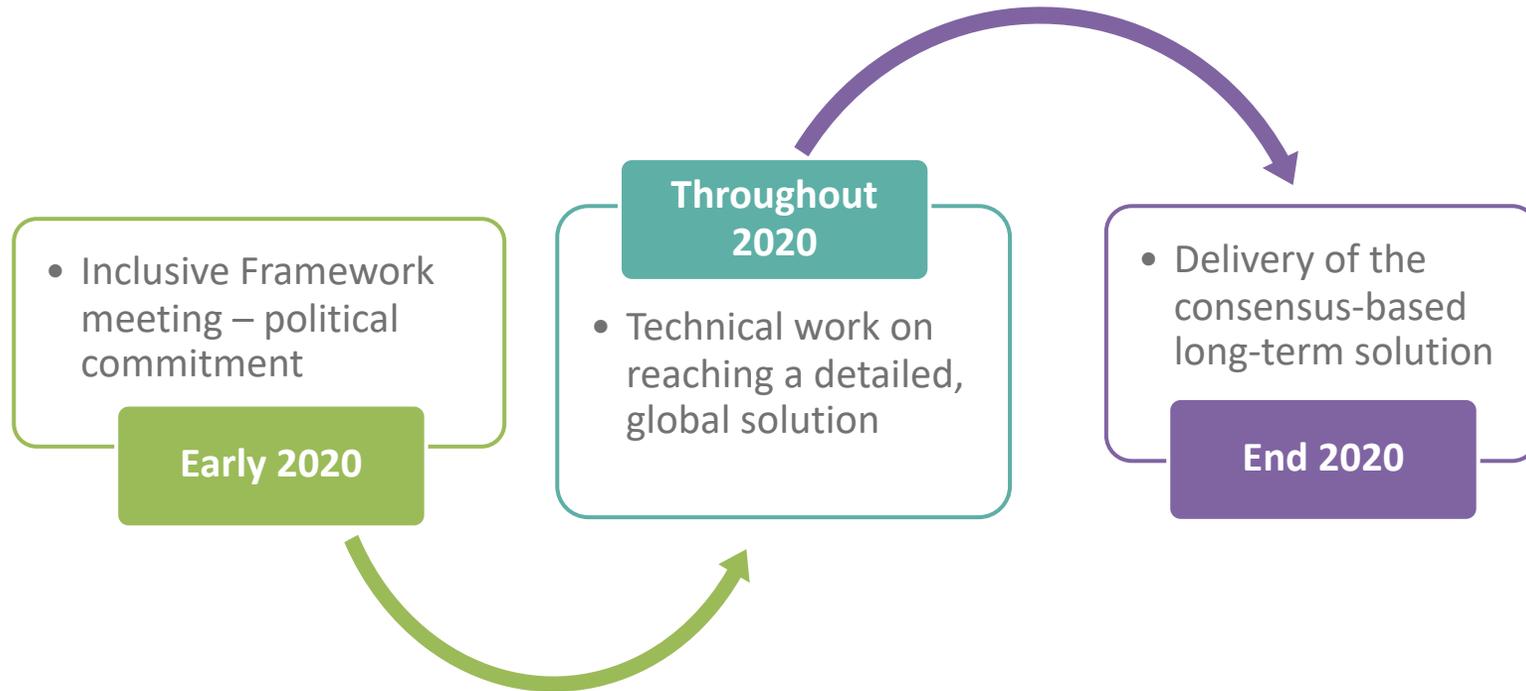
Correctness vs simplicity to administer

Tax certainty/
avoiding double taxation

Putting it all together into a comprehensive package



Next steps

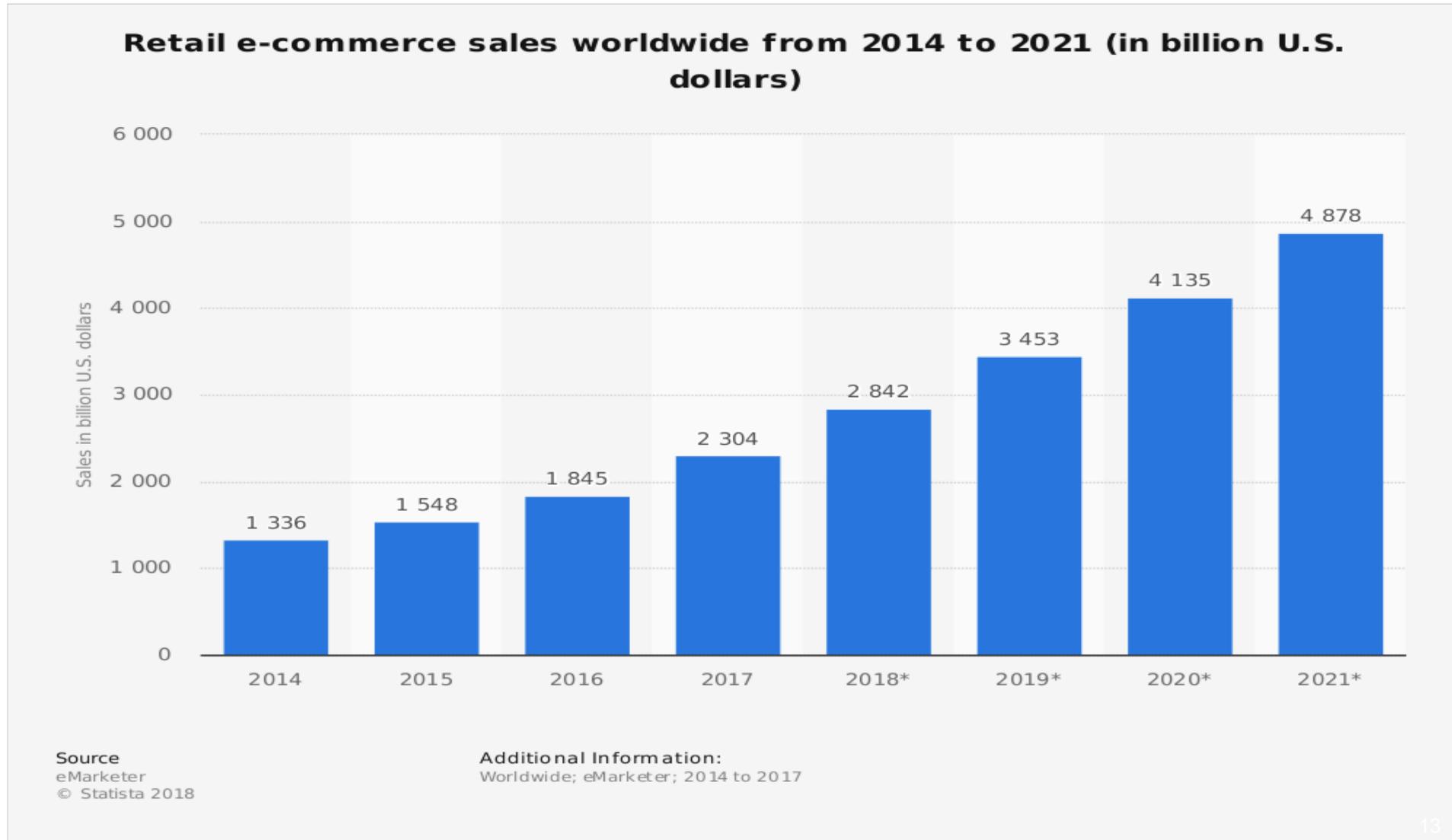




WHAT ABOUT VAT?



From “bricks to clicks” ...





OECD Recommendations for VAT/GST measures

- ✓ Implement a “place of taxation” rule by reference to the usual residence of the consumer
- ✓ Introduce a requirement for non-resident digital suppliers to register and account for the VAT on “remote” digital sales through a simplified collection and compliance mechanism
- ✓ Further facilitate and enhance compliance by enlisting market places and other digital platforms in the VAT/GST collection on digital sales
- ✓ Complement the operation of the simplified collection and compliance regime with the implementation of a modern risk-based compliance strategy and robust administrative cooperation



Widespread implementation of VAT/GST measures

- **50+ jurisdictions** have implemented (or are considering) reform to implement the recommended rules for allocating VAT/GST taxing rights on B2C:
 - **40+ of these jurisdictions** have complemented these “place of taxation” rules with remote vendor collection regime
 - **Very positive revenue results above revenue targets** e.g. EUR 3 billion collected at EU level the first year of operation
- Key initiatives implemented or announced in respect of online “low value goods”
 - **Australia (July 2018)**: very positive revenue results – full year revenue target met in Q1!
 - **European Union (as of 2021)**: estimated EUR 7 billion (new!) revenues annually
 - **New Zealand** (as of December 2019)



OTHER CHALLENGES BROUGHT BY DIGITALISATION



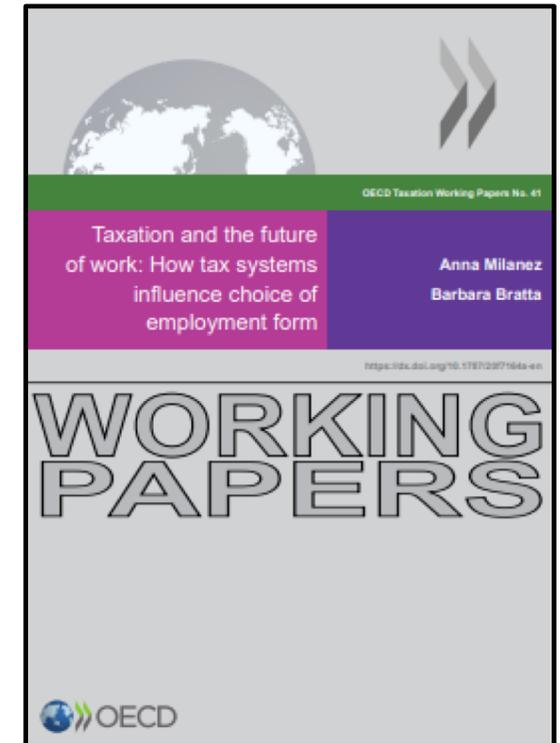
Tax policy and inclusive growth

Key Trends	Challenges for Inclusive Growth	Challenges for Tax Policy
Low productivity growth	Holds back increases in wages growth , exacerbates differences between firms	Stagnant productivity makes pro-growth tax policy more important, which can create equity trade-offs
Increased inequality	More workers left behind , with negative impact on skills, health, and well-being. Top incomes take an increasing share.	Increased calls to use the tax system to reduce income and wealth inequality can lead to efficiency trade-offs
Globalisation, digitalisation and automation	Job losses often concentrated in certain locations and rapid reallocation of jobs from sector to sector; skills challenges and need for life-long learning	Increasing mobility of companies, capital and individuals leads to increased tax competition, avoidance, and evasion; strengthen the role of the tax system to incentive skill development and activation
Changing world of work	Some existing jobs will disappear , leading to income gaps by skill level	Expansion in non-standard work may lead to more self-employment; less revenue through SSCs; reduced benefit entitlements; but also job flexibility



Taxation and the future of work

- Traditional employment is an important source of public revenue, accounting for a greater share of taxes per capita than self-employment
 - Increases in non-standard work has the potential to result in significant revenue losses
- Recent OECD work assesses whether the taxation of the self-employed differs from that of standard employees
 - ***Taxation and the Future of Work: How Tax Systems Influence Choice of Employment Form*** (Tax Policy Working Paper No. 41)





VAT/GST implications of the sharing/gig economy

- Questions related to the VAT/GST implications may include:
 - Could the growth of the sharing/gig economy have implications on the tax base? A large number of small sellers.
 - What will be the impact on VAT/GST registration thresholds?
 - What is the potential in terms of more efficient tax administration - countries are already seeking data from sharing/gig economy platforms?
 - What role can the sharing/gig economy platforms play in collection of the tax? Key role as (third party) information provider to the tax administration
- Over 100 jurisdictions that attended the 5th meeting of the OECD Global Forum on VAT (March 2019) urged the OECD for further work to be done on enhancing the understanding of the VAT/GST implications of the sharing/gig economy.
- Exploratory work underway by the Secretariat on the sharing/gig economy and the role of platforms.
- Unlikely to be a one-size-fits-all solution – differences in legal regimes in jurisdictions and many different business models.



Tax Services in a Digitalised World

- Digital transformation will have systemic impact
 - Increased third party data sources, including platforms, and pre-assessments
 - Biometrics
 - AI driven risk assessment
 - Embedding taxation in tax payer ecosystem
 - Blockchain solutions
- Challenges as well:
 - Cyber security and data protection
 - Creation of ‘private’ digital asset/money systems
 - New skills needed – human resources



MORE INFORMATION

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