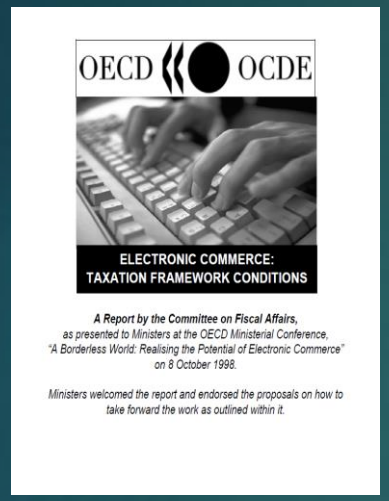
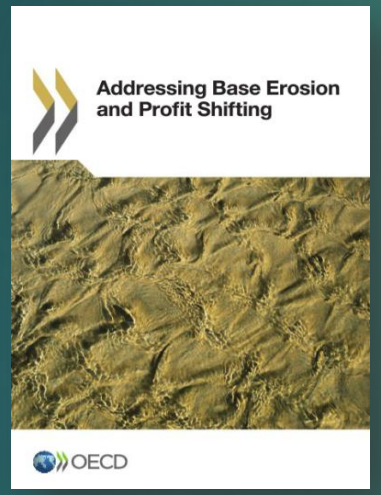
Taxing the Digital Economy: the EU Proposals and other insights

ACTL-IBFD CONFERENCE

AMSTERDAM 28-29 JUNE 2018

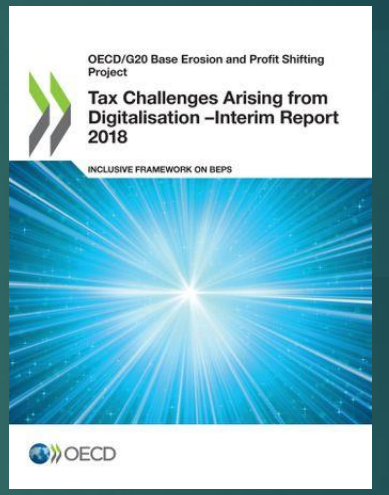
We are all struggling

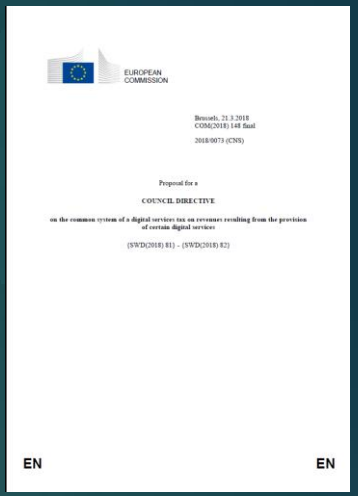




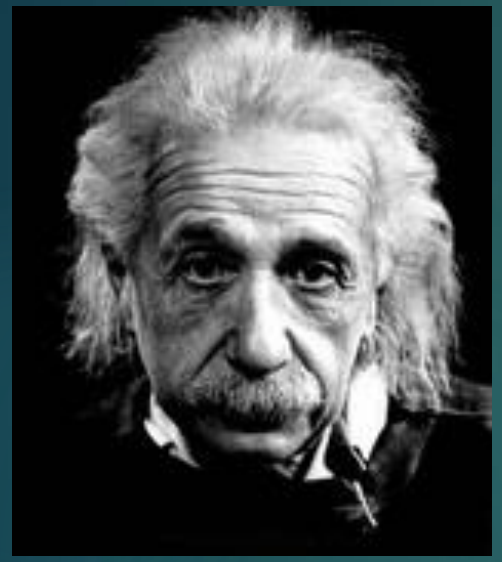








Why are we all struggling ?



"If I had an hour to solve a problem I'd spend 55 minutes thinking about the problem and 5 minutes thinking about solutions."

We may be struggling because



Certainly not easy to find the solution… but also because by the time we identify the problem and start discussing the solution …

… the problem may have already evolved



Main issues identified

1. **Base Erosion and Profit Shifting:** the jury is out
2. **Tax Jurisdiction and Value Creation**:
   There may be extraction of value from a territory that escapes taxation in that territory under current rules (unless we really believe that user contributions and data have no value …)
3. **(Robo-)Tax Policy**: Should tax support or limit automation?
4. **Tax Administration**: Strains but also offers opportunities for enforcement

1. BEPS

- Time will tell if what done in BEPS is enough (*upgrades* should be readily available given past work)
- US reform could force countries to discuss minimum tax
- Certainly shows lack of *total trust* in the ALP

2. Tax Jurisdiction and Value Creation

Straight from the FS of a large tech company

Trends in Our Monetization by User Geography

- We calculate our revenue by user geography based on our estimate of the geography in which ad impressions are delivered or virtual and digital goods are purchased.
- *Note: **Our revenue by user geography in the charts above is geographically apportioned based on our estimation of the geographic location of our users when they perform a revenue-generating activity**. This allocation differs from our revenue by geography disclosure in our consolidated financial statements where revenue is geographically apportioned based on the location of the marketer or developer.*

3. (Robo-)Tax Policy

- Several countries provide incentives to firms that invest in ***digitalization***
- Some academics and thinkers are advocating for a so-called ***robot tax***
- Issue is closely related to the future of jobs and to the concept of ***guaranteed income***

4. Tax Administration

- Huge opportunities but also huge challenges
- In most cases, the issue boils down to territoriality and enforcement
- Key questions:
  - **Are platforms the banks of 30 years ago ?**
  - **Will it take as long to get them to cooperate ?**

Landing … or not

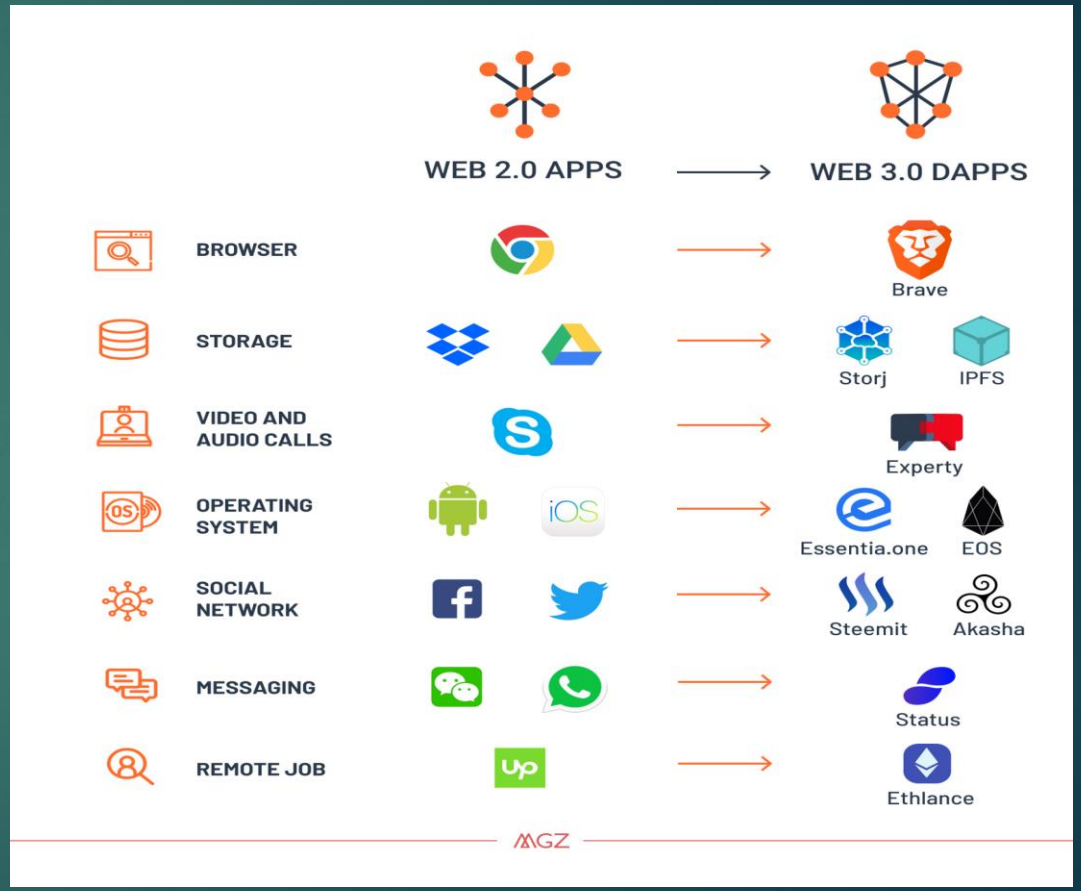
- Short-term and long-term are relative concepts
- Today (and tomorrow) we focus on what in my view are largely **short-term issues** and rightly so!
- We will be discussing a lot of challenging topics

BUT

- Academia and thinkers in general have also a duty to look beyond: **What will be the optimal tax system in 2030? And in 2050?**

Long-term: from Web 1.0 to web X.0?

- The features of **Web 1.0 like** bleepy modems and slow interfaces is gone. With fast internet speeds, the web isn't about observing anymore, it is about participating.
- But while the **Web 2.0** democratized many power structures and created new opportunities, the economic engine is largely privatized and monopolized.
- The **Web 3.0** is the antithesis of this, it's about multiple profit centers sharing value across an open network. Middlemen are removed from the equation, blockchains provide a trust-less platform where the rules are unbreakable and data is fully encrypted. **End users will regain complete control of data and have the security of encryption.** Information can then be shared on a case-by-case and permissioned basis.



Thank you!

