



# TAX CHALLENGES AND OPPORTUNITIES ARISING FROM DIGITALISATION

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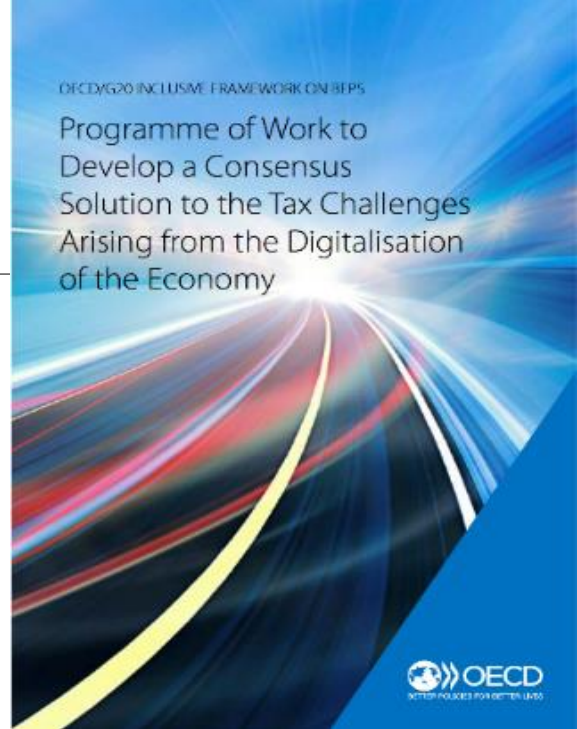
## Overview

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- Corporate tax challenges of digitalisation
- Administration challenges and opportunities



# Corporate Tax Challenges: Background



2015

BEPS Action 1 Report

2018

March: Interim report

2019

January: Policy Note

2019

February/ March: Public consultation

2019

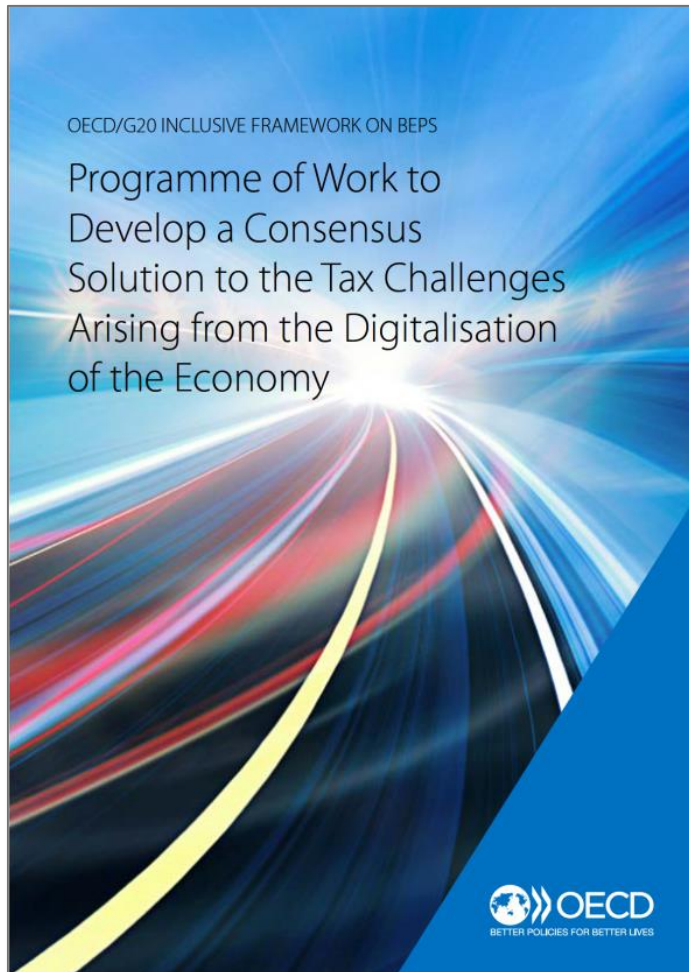
Programme of Work (PoW) approved by the Inclusive Framework on 28 May 2019

*“Consistent with the analytical framework of both the Action 1 Report and the Interim Report, there is agreement to examine proposals involving two pillars which could form the basis for consensus”*

**Over 2,000 pages of comments and 400 participants**



# The Programme of Work agreed in May 2019



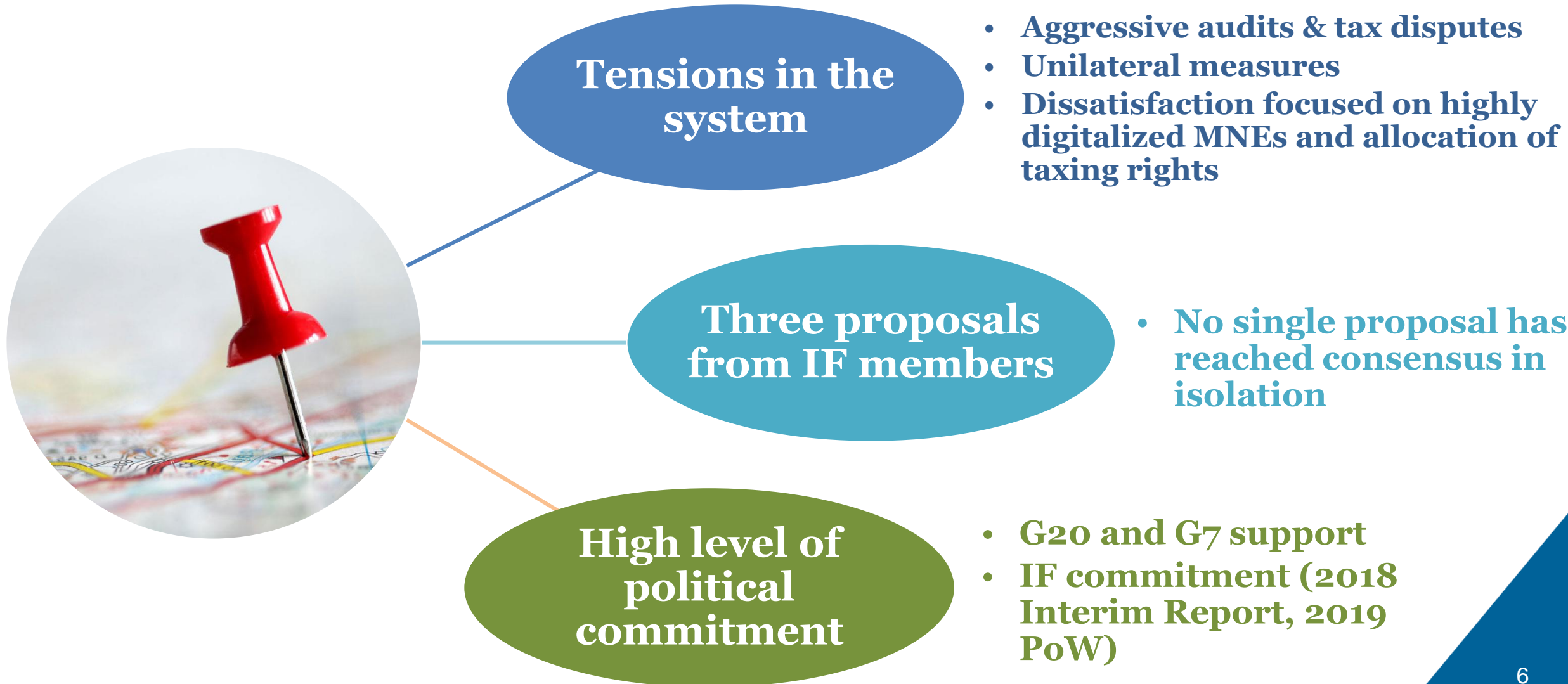
- Programme of Work elements:
  - Pillar 1 (Profit allocation and nexus) alternatives
    - User contribution
    - Marketing Intangibles
    - Significant Economic Presence
  - Pillar 2 (Global anti-Base Erosion Proposal)
    - Ensuring a minimum level of taxation
  - Economic analysis and impact assessment
- Develop a consensus solution by end of **2020 in Inclusive Framework on BEPS**



# PILLAR 1: THE SECRETARIAT PROPOSAL FOR A UNIFIED APPROACH



# The challenge





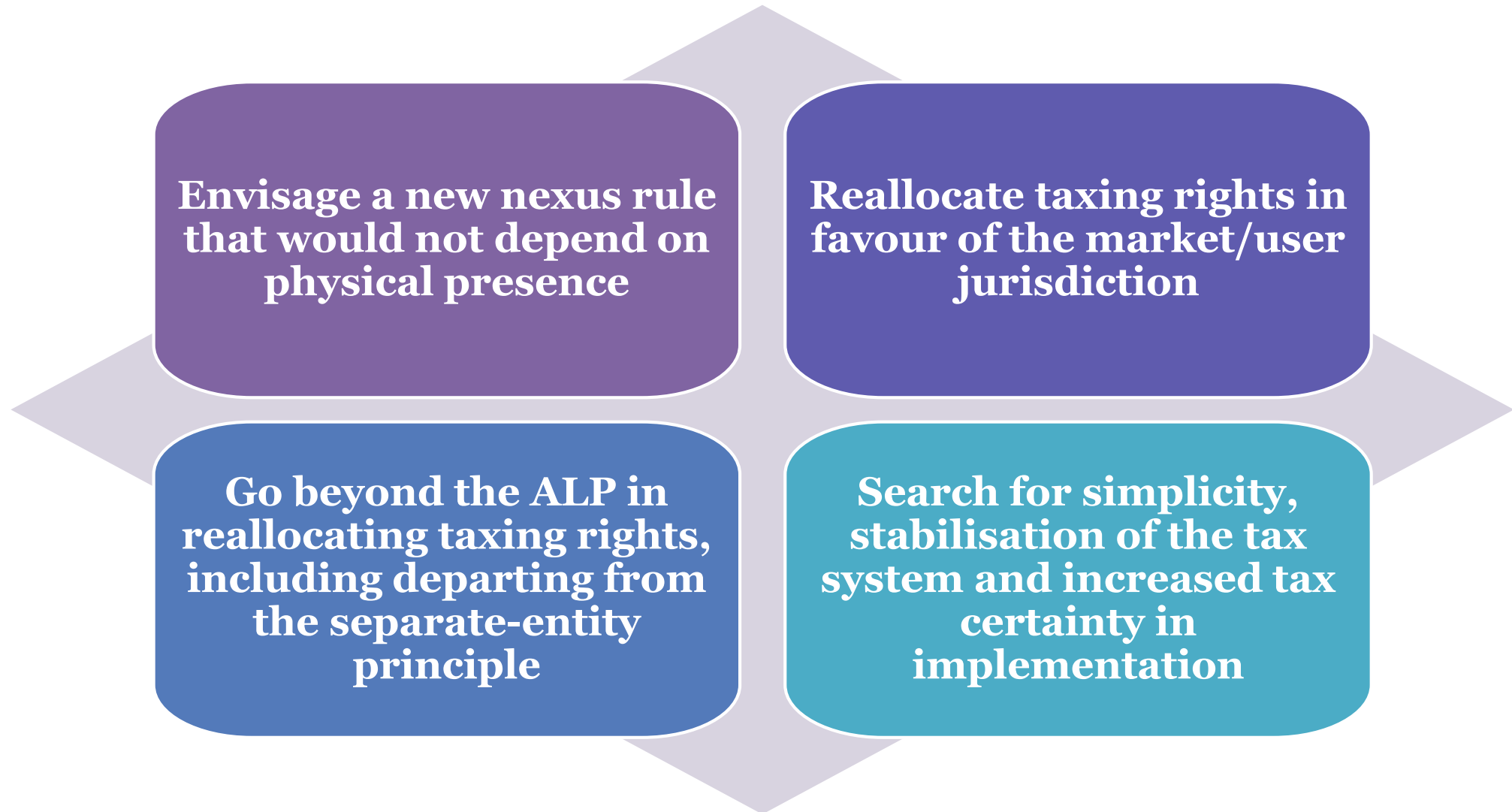
## The objective

# Develop a viable proposal that addresses the tax challenges of digitalization and achieves consensus

- Design new “nexus” and “profit allocation” rules **unconstrained by physical presence** and create appropriate infrastructure to support these rules.
- Ensure the proposal is as **least complex** as possible and contributes to improve **tax certainty** for both governments and taxpayers.
- **No intention to overhaul conventional transfer pricing (ALP)**. Instead, objective is to ensure the proposal can co-exist with ALP to avoid double taxation, including by limiting disruptions where the ALP enjoys broad acceptance. increase tax certainty through more **effective dispute prevention and binding dispute resolution**



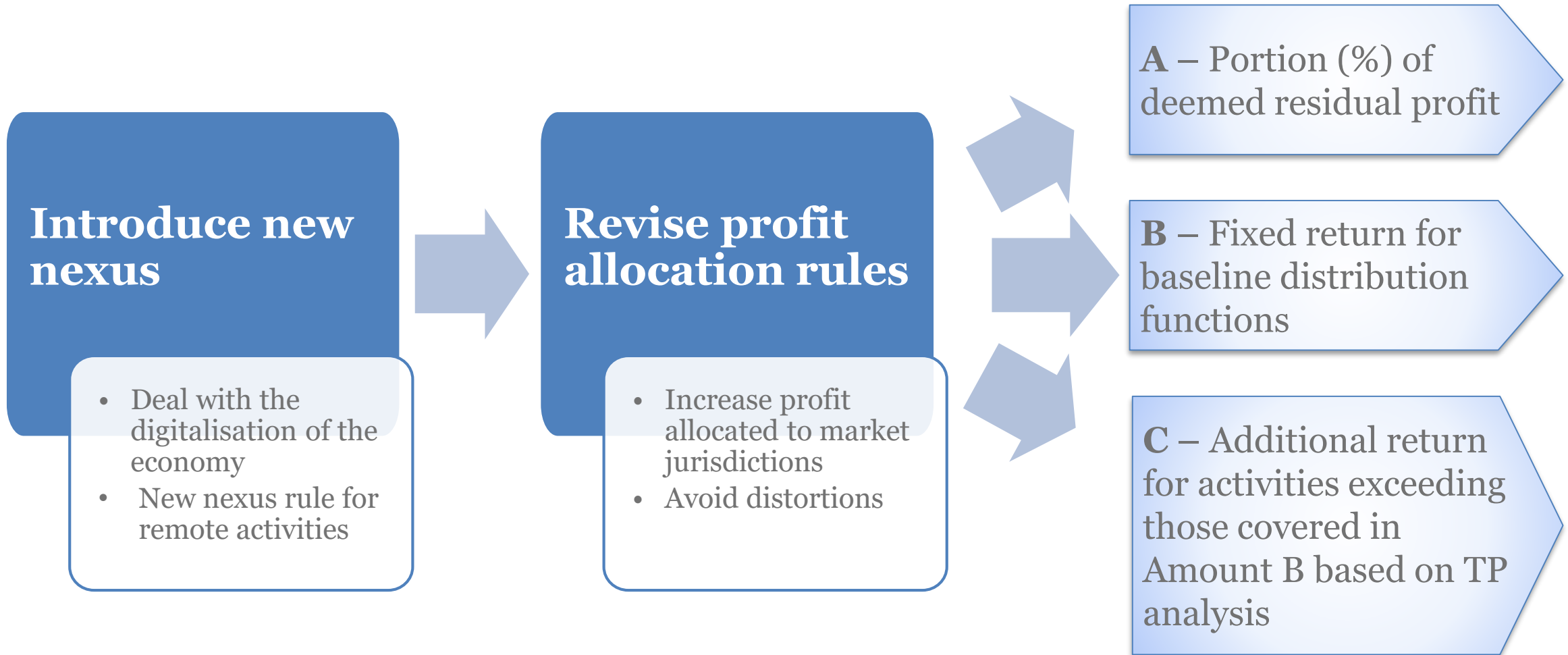
## Start with the commonalities...







## ... as the basis of a “Unified Approach”



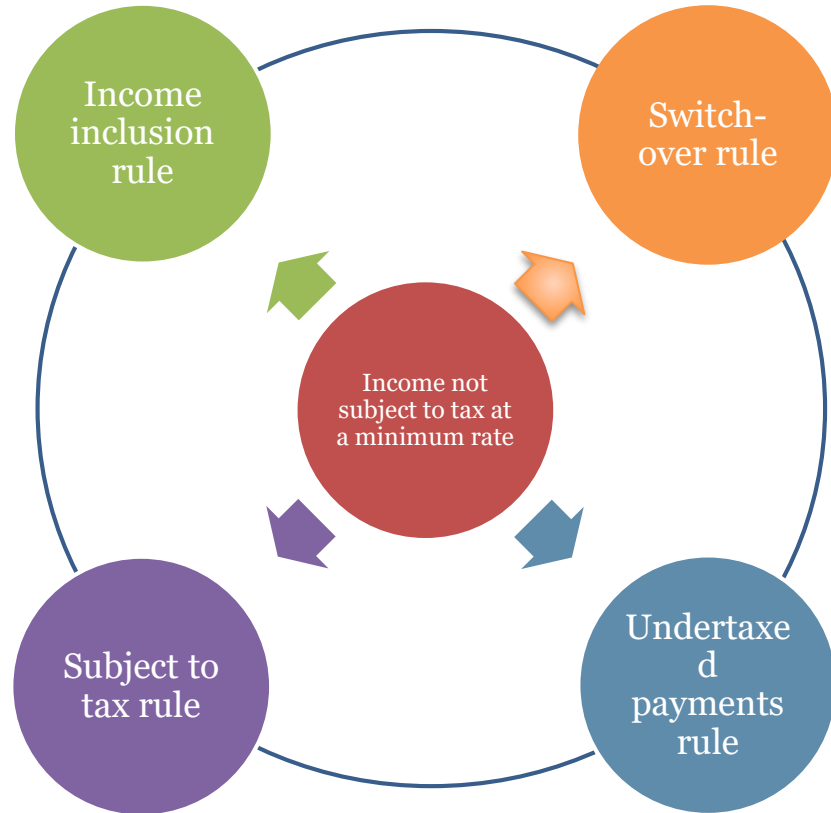


# PILLAR 2

Global Anti-Base Erosion Proposal



# Overview of the GloBE proposal



Income inclusion rule

Switch-over rule

Undertaxed payments rule

Subject to tax rule

Public consultation document expected in November/ consultation meeting mid-December

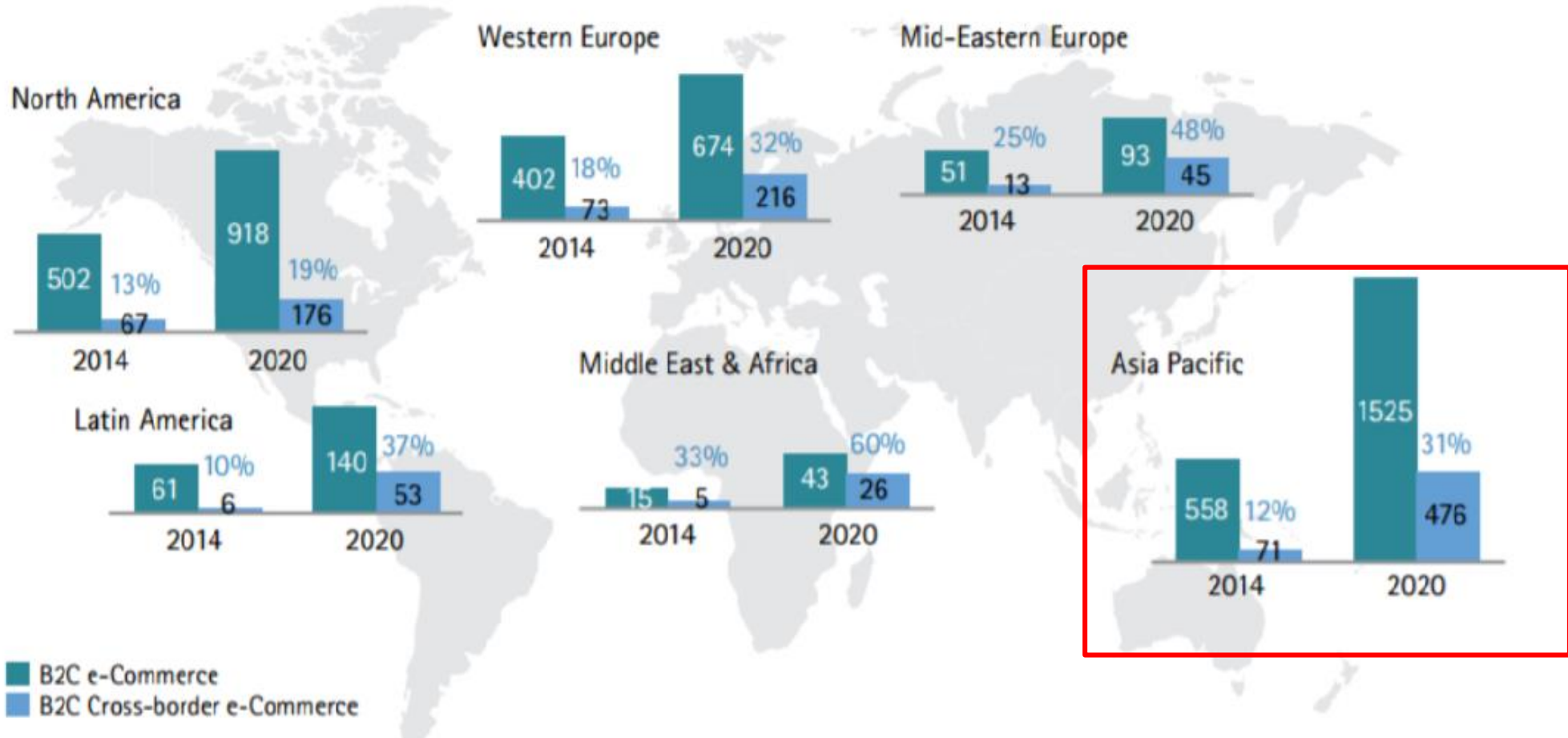


# TAX ADMINISTRATION OPPORTUNITIES AND CHALLENGES



# Asia Pacific has a high share of cross-border e-commerce transactions

Global cross-border B2C e-Commerce transaction value (US\$ billion)



Source: Accenture



# OECD leads the international work on standards and guidance to address VAT/GST challenges of the digital economy



OECD

## The International VAT/GST Guidelines

- **Global standard** for the application of VAT/GST to international trade in services and intangibles:
  - **Adopted by OECD / G20** countries
  - **Endorsed by 100+ jurisdictions** and international organisations in 2015
- Adopted by the OECD Council as **OECD Council Recommendation C(2016)120** of 27 September 2016



Mechanisms for the Effective Collection of VAT/GST

WHERE THE SUPPLIER IS NOT LOCATED IN THE JURISDICTION OF TAXATION

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## Mechanisms for the Effective Collection of VAT/GST

- Focus on digital sales by **non-resident sellers**
- Key policy and design challenges and solutions
- Detailed guidance on the design and operation of a **simplified, web-based compliance and collection regime**
- Endorsed by 100+ jurisdictions and international organisations in 2017

The Role of Digital Platforms in the Collection of VAT/GST on Online Sales



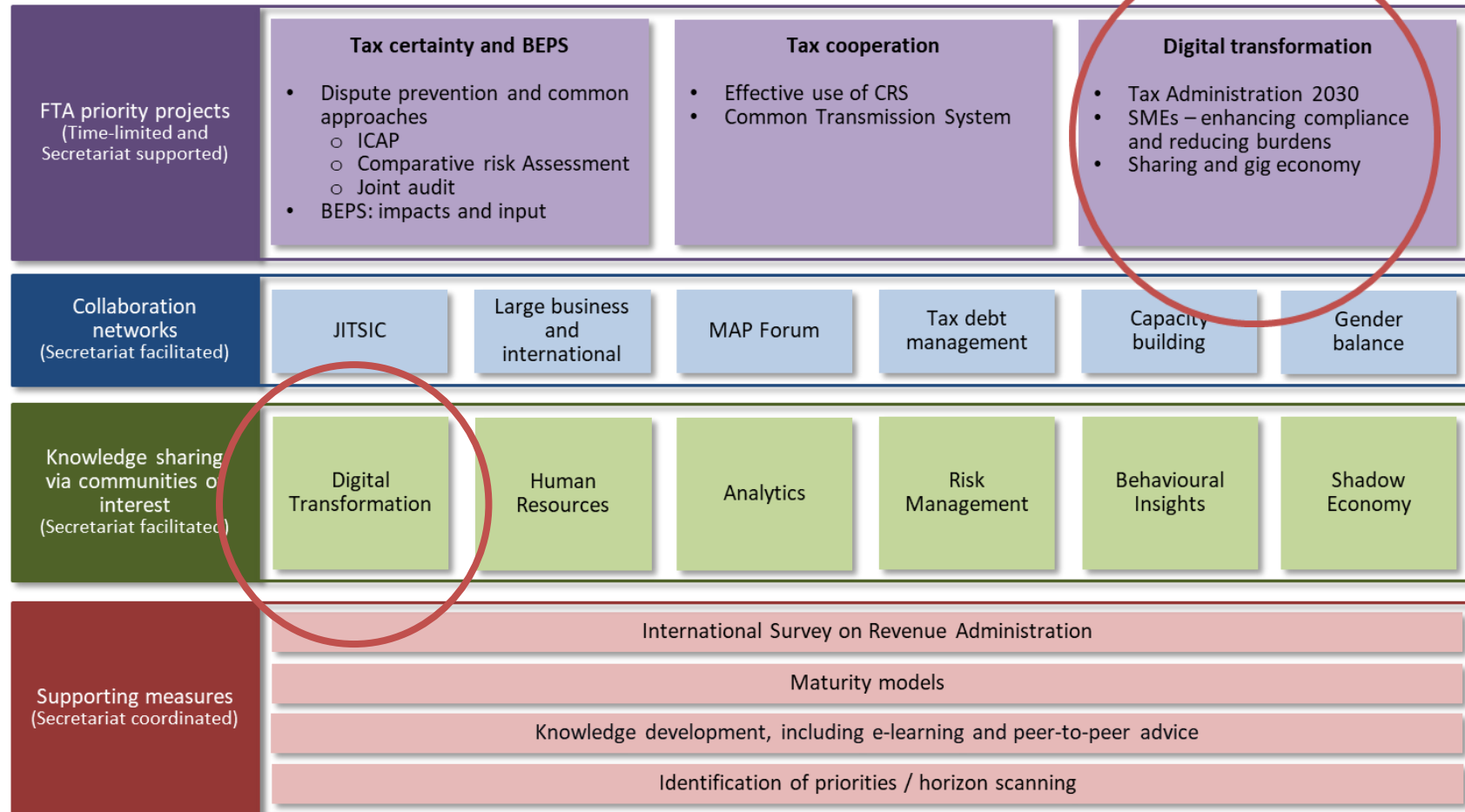
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## The Role of Digital Platforms in the Collection of VAT/GST on Online Sales

- Increasing the effectiveness and the efficiency of VAT/GST collection on online sales by **enlisting “online marketplaces” and other digital platforms** in the collection process
- Supplies of services, goods (incl. importation) and digital products from online sales
- Focus on (1) **making platforms liable** for collecting/remitting the VAT/GST and (2) **data sharing**
- Endorsed by 100+ jurisdictions and international organisations in 2019



# Digital Transformation a priority for OECD FTA





## MORE INFORMATION

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