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Discussion Group 3 – Taxation of the Digital Economy

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- Shared views
- Common challenges
- Necessary steps
- Potential for a global solution

- Existing tax rules are inadequate
- A global solution may work for some countries; others will prefer unilateral measures, on either an interim or ongoing basis
- Any common solution must be fair to all: large and small, developing and developed
- Countries cannot effectively deal with digital economy in isolation; international cooperation is essential

□ Within the context of existing tax rules, tax administrations face a range of common challenges:

- Existing nexus rules
- Existing income characterisation
- Allocation of taxable income
- New business models
- Absence of physical presence
- Valuable intangible assets
- Unilateral vs. multilateral initiatives
- Value creation

- Governments must ensure tax fairness and prevent a loss of competitiveness
- Existing legislation must be updated
- PE must be re-defined in the digital context
- Offshore digital firms must be required to register for, collect and remit VAT/GST

- Current OECD work (Pillars 1 and 2) is a good beginning, but may not provide the best solution for all countries
- A timely solution, not a perfect solution
- Need to remain agile; the digital economy will continue to evolve
- Most importantly: any global solution must be fair for all countries, regardless of the size or degree of development of their respective economies



THANK YOU