



**DIGITAL
ECONOMY
RETHINK**

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Your global tax partner

ORIGINS OF THE INTERNATIONAL TAX SYSTEM



- ❖ The current taxation system was introduced by colonial powers in the early 20th Century
- ❖ The system was designed to benefit colonial countries' economic interests
- ❖ Slow transportation methods required manufacturers to be located near the market in which they were going to sell their product.



MOVEMENT TOWARDS GLOBALISATION



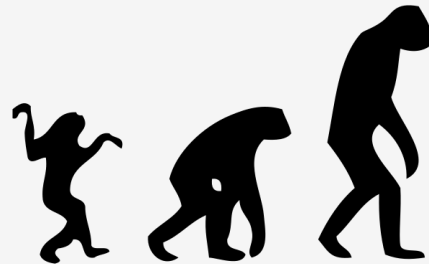
- ❖ As globalisation began to occur, the old taxation model was no longer sufficient
- ❖ Companies' markets began to expand and the interaction of national taxes became an immediate issue, leading to the identification of the problem of international double taxation
- ❖ It was necessary to refine some of the existing concepts of taxation to deal with the changing market.



LABOUR RIGHTS MOVEMENT



- ❖ The labour rights movement in the West led to increased employee protections:
 - Introduction of a minimum wage
 - More stringent labour laws
- ❖ The cost of employment rose for manufacturers based in the West
- ❖ As a result, they shifted their operations to cheaper and less regulated jurisdictions.

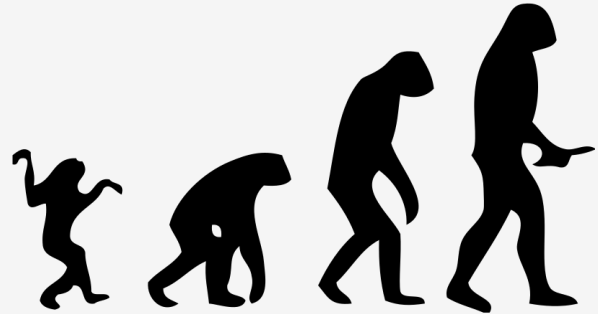


❖ TAXAND

ADVENT OF THE INTERNET



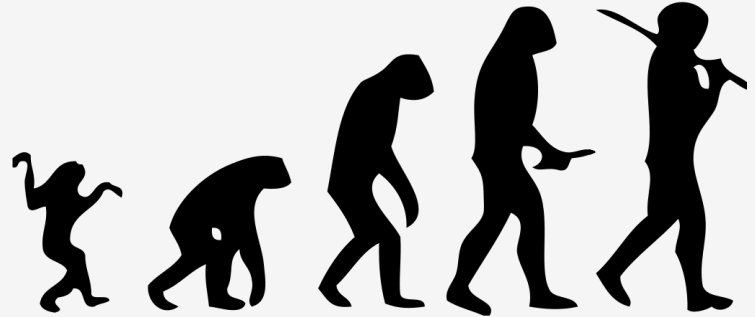
- ❖ The use of the internet allowed cross-border trade to become seamless
- ❖ Digital businesses could generate significant revenue in a jurisdiction where they had no physical presence
- ❖ The legal ownership of IP could be separated from the physical activities of a business and could be held in low tax jurisdictions.



PRESENT DAY



- ❖ The evolution of business models means that companies operate in a fundamentally different manner today than at the time the international tax and customs rules were designed
- ❖ Colonial powers no longer benefit from the taxation system they created:
 - Manufacturing has shifted to countries with fewer employee protections
 - IP has been shifted to low tax jurisdictions
- ❖ This has left a host of social problems in its wake.



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EXAMPLE



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Manufacturing in France

- ❖ Cost Price: € X
- ❖ Sale Price: € Y
- ❖ Profit is taxable in France.

Manufacturing in Country A (Cheaper, Less Regulated Jurisdiction)

- ❖ Cost Price: Fraction of € X
- ❖ Sale Price: € Y
- ❖ Greater profit margin
- ❖ Profits artificially shifted to low tax jurisdiction though payment of royalties on IP
- ❖ France does not benefit from tax despite being the market in which bag was sold.

HOW TO FIX A BROKEN MODEL?

01

Managing symptoms v addressing causes.



02

Disallow trade with countries with unacceptable labour laws?



03

Abolish corporation tax and introduce sales tax?

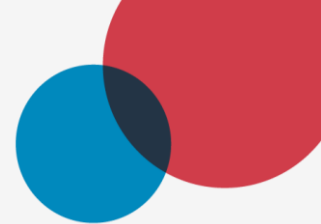


04

Encourage distribution of company profits?



GLOBAL CONFERENCE APP & POLLING



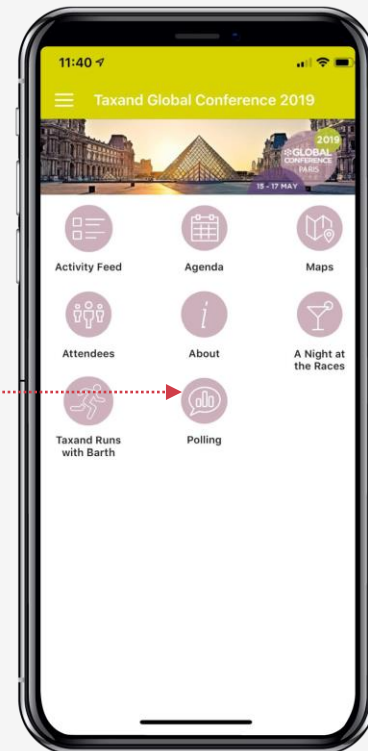
Launch the app



Click on the 'Polling' icon



You will see a list of polling questions – you will need to exit each question after you have answered to move on to the next one



AUDIENCE POLL 1



In which country do you live/exercise your (tax) profession?

A 🌐 Asia/Australasia

B 🌐 Americas

C 🌐 Africa

D 🌐 Middle East

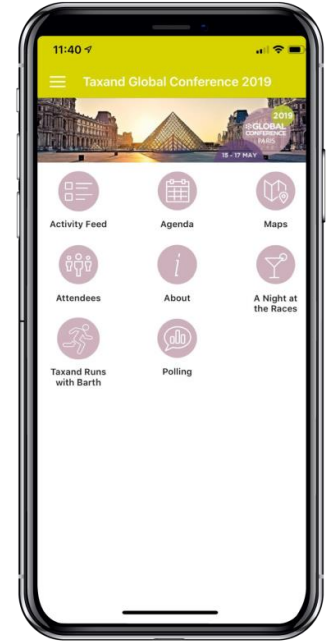
E 🌐 Europe



AUDIENCE POLL 2

Will the UK ever leave the EU?

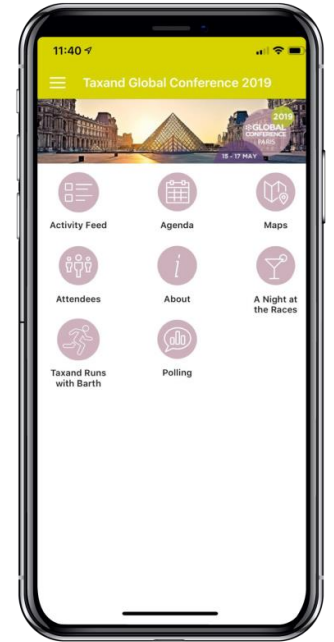
- A Yes
- B No
- C How can anyone know?



AUDIENCE POLL 3

Will Notre Dame be rebuilt within five years?

- A** Yes
- B** No

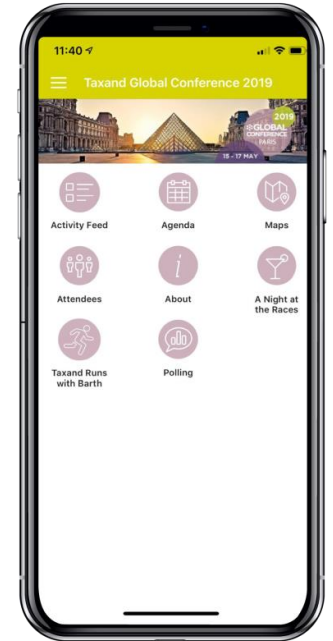


AUDIENCE POLL 4

Did you join the Barth run?

A

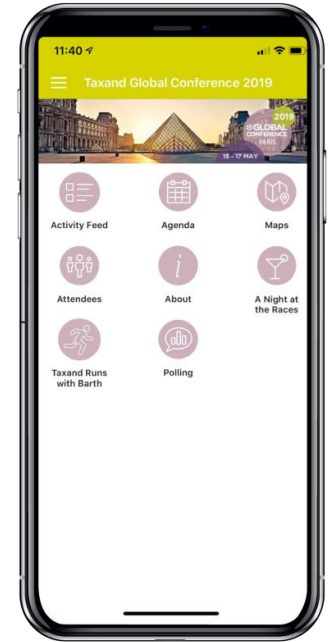
Of course!



AUDIENCE POLL 5

Did your country introduce, or is your country considering introducing a digital (economy) tax?

A	Yes
B	No



AUDIENCE POLL 6

If your country is considering implementing a digital tax, on which OECD proposal is the law of your country based?

A

❖ The 'User participation' proposal

B

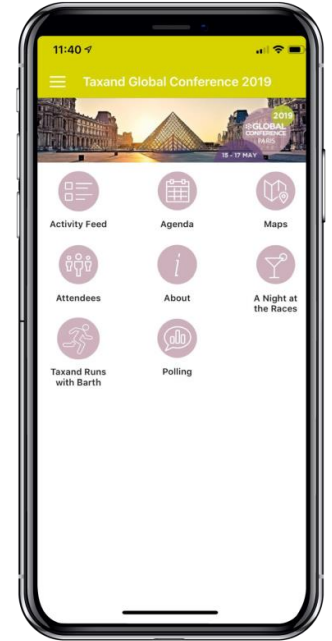
❖ The 'Marketing intangibles' proposal

C

❖ The 'Significant economic presence' proposal

D

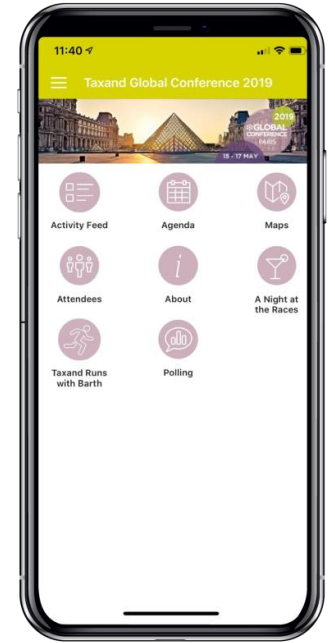
❖ Other proposal



AUDIENCE POLL 7

Should the user participation proposal contain an exemption for loss making companies?

- A Yes
- B No



AUDIENCE POLL 8

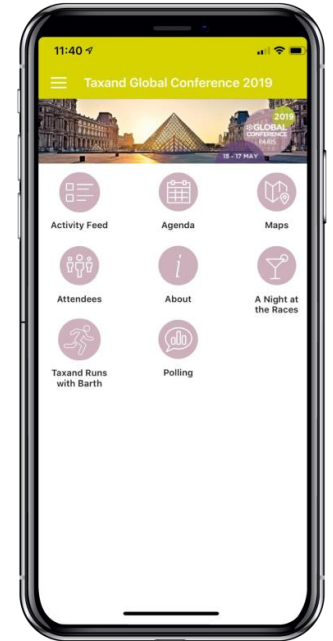
Should we approach the digital economy from an anti-abuse/BEPS perspective or from a changing economy perspective?

A

••• Anti-abuse/BEPS perspective



B

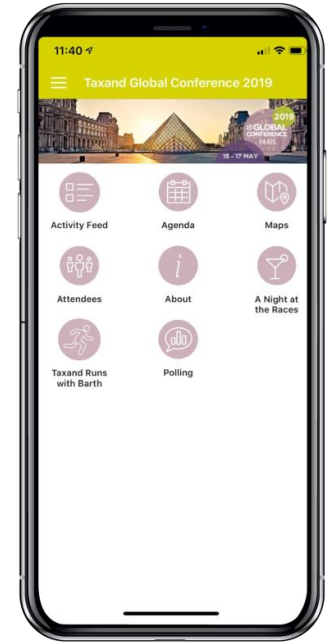
••• Changing economy



AUDIENCE POLL 9

If the approach to a digital economy is anti-abuse/BEPS, should we wait until the effect of other changes becomes apparent?

- A  Yes
- B  No



AUDIENCE POLL 10

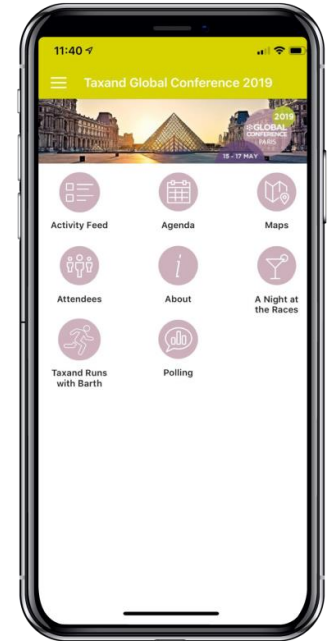
Should countries aim to introduce a digital tax unilateral or should the aim be a global model?

A

Unilateral approach

B

Global model



AUDIENCE POLL 11

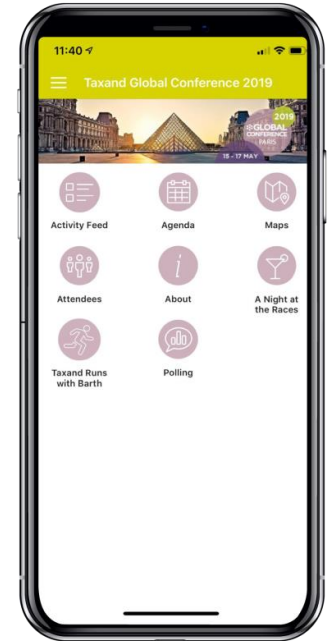
Should we allow a permanent establishment without employees?

A

Yes

B

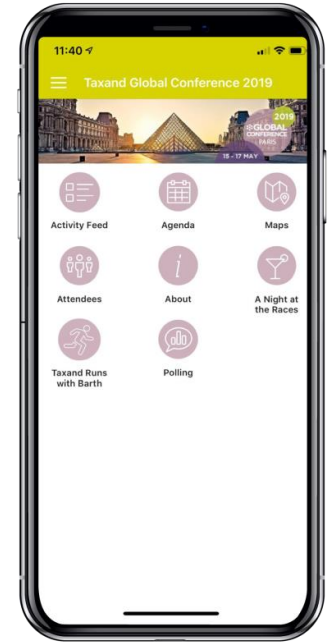
No



AUDIENCE POLL 12

Do you consider workforce to be an asset in performing a functional, risk and asset analysis?

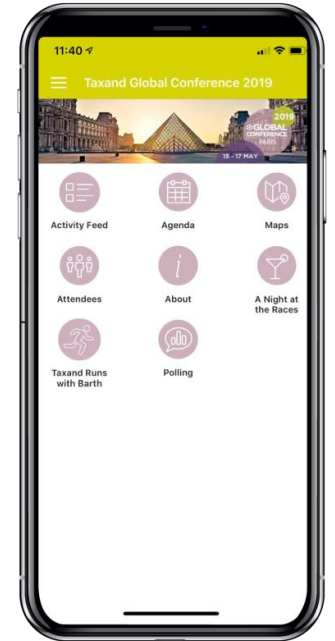
- A Yes
- B No



AUDIENCE POLL 13

Should we allow a permanent establishment to exist just on the basis of a client base?

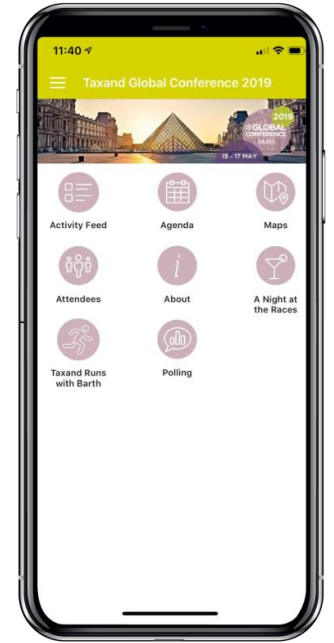
- A Yes
- B No



AUDIENCE POLL 14

Should we abolish corporation tax and replace with a new model?

- A** Yes
- B** No



AUDIENCE POLL 15

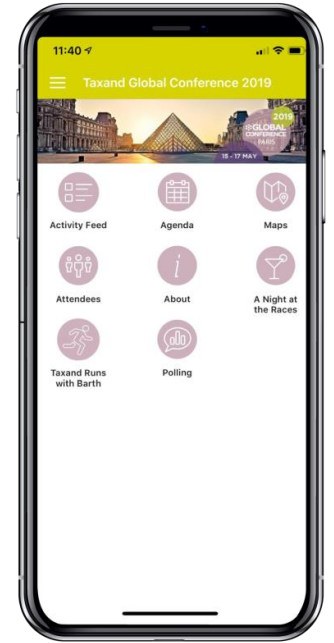
Should your country enforce minimum wage standards across the world by restricting sales of product manufactured in countries with no acceptable wage standards, or taxing the home company for each job displaced by moving the manufacturing?

A

Yes

B

No





**SPEAKER
PROFILES**

SPEAKER PROFILE



Martin Phelan

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Martin is Head of William Fry Tax Advisors/Taxand Ireland and a current board member of Taxand, a global tax organisation of which William Fry Tax Advisors is the exclusive Irish member firm. He has over 25 years' experience in advising on international tax in all sectors. Martin also specialises in tax controversy and litigation. Martin is a practicing Chartered Accountant and Chartered Tax Advisor and law graduate of the Honorable Society of King's Inns in Dublin.

Martin is a former President of the Irish Taxation Institute (2013). He represents the profession on taxation committees with industry, government and Revenue.

Martin has written extensively on taxation topics including co-author 'Taxing Financial Transactions' (Irish Taxation Institute), Transfer Pricing Ireland (IBFD), Income Tax Treaties – Competent Authority Functions and Procedures of Selected Countries (H-K), Ireland (Bloomberg BNA) and he regularly speaks on international taxation topics in Ireland and overseas.

Martin is Secretary-General of CFE Tax Advisers Europe (CFE). As Secretary-General, Martin is responsible for office leadership, raising the profile of the organisation, and representing the CFE at internal and international events.

SPEAKER PROFILE



Jimmie van der Zwaan

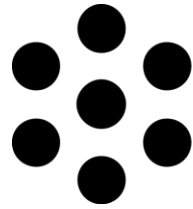
Partner, The Netherlands

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Jimmie is a partner with Taxand Netherlands and a core member of the global Taxand Energy service line and Transfer Pricing service line.

Jimmie specialises in the energy sector, covering aspects relating to oil and gas, suppliers and contractors, electricity, alternative resources and renewables. He advises on corporate tax issues and heads the Dutch Transfer Pricing practice, providing functional and economic analysis, profit allocation and advance pricing arrangements with the tax authorities. He also assists with domestic and international matters such as tax control frameworks, setting up and analysing new businesses and joint ventures, and optimising existing business structures.

He is a member of the Dutch Bar, the Dutch Associations of Tax Advisors, and the International Fiscal Association. He is also a representative for the Dutch Association of Suppliers in the Oil and Gas Industry, and a member of the Dutch Association of Energy Law and Society of Petroleum Engineers.



TAXAND