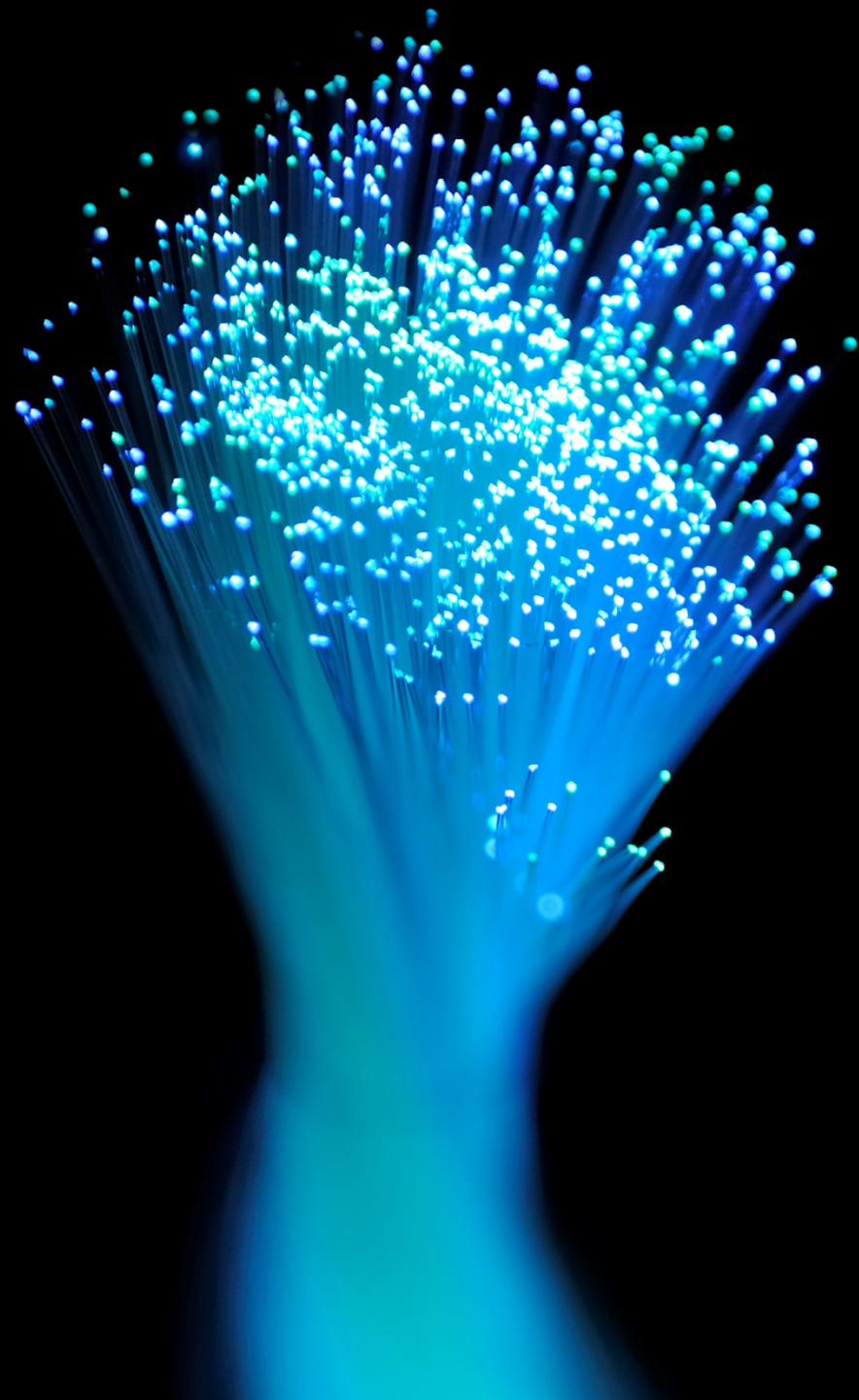




# Taxation of the Digital Economy

*Stora Skattedagen*

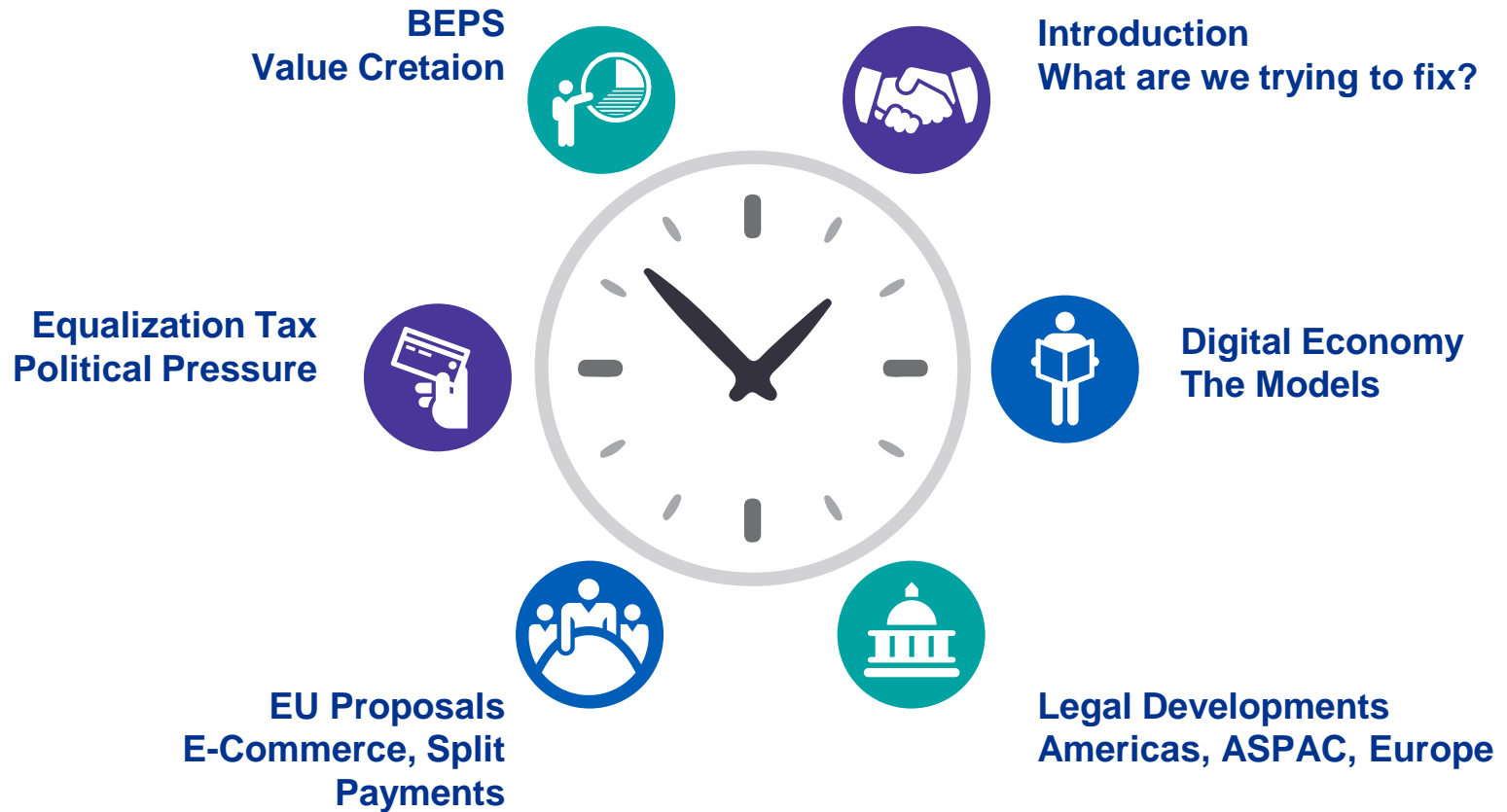
Stockholm, 9:e november, 2017



# How Tax Authorities may perceive digital providers



# Proposed Agenda

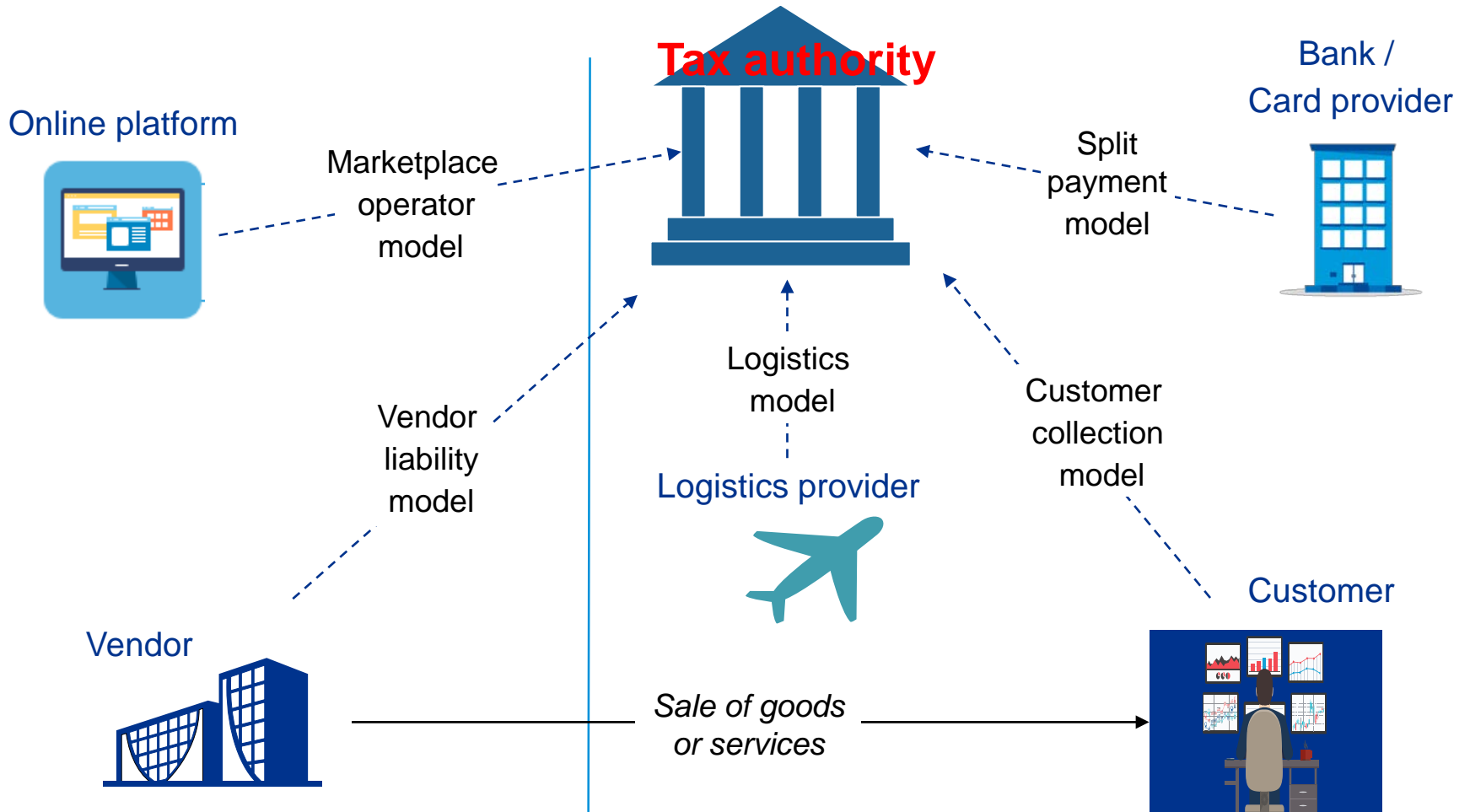


# How did we get here?

## What are the problems we are trying to fix?

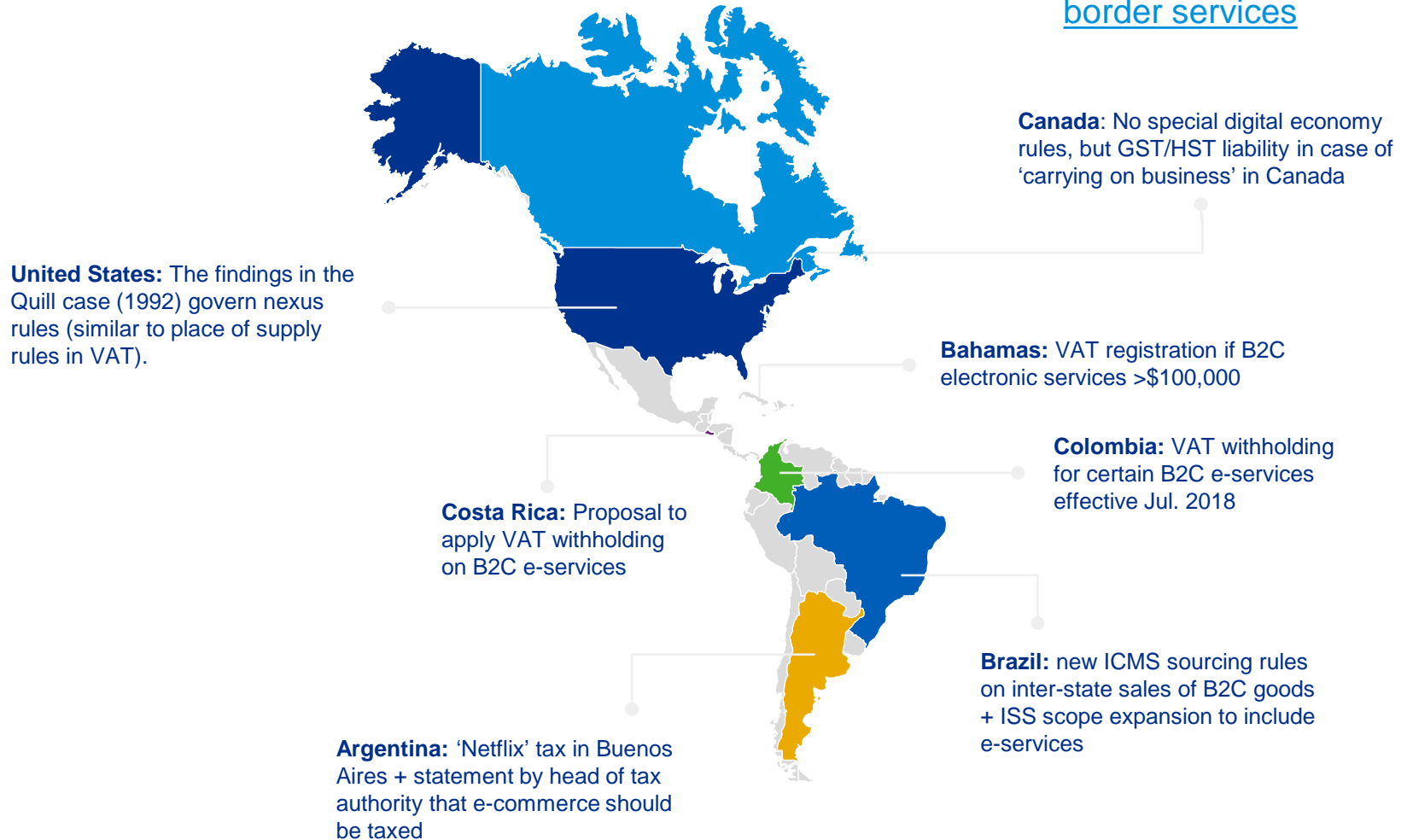


# Digital Economy - The models



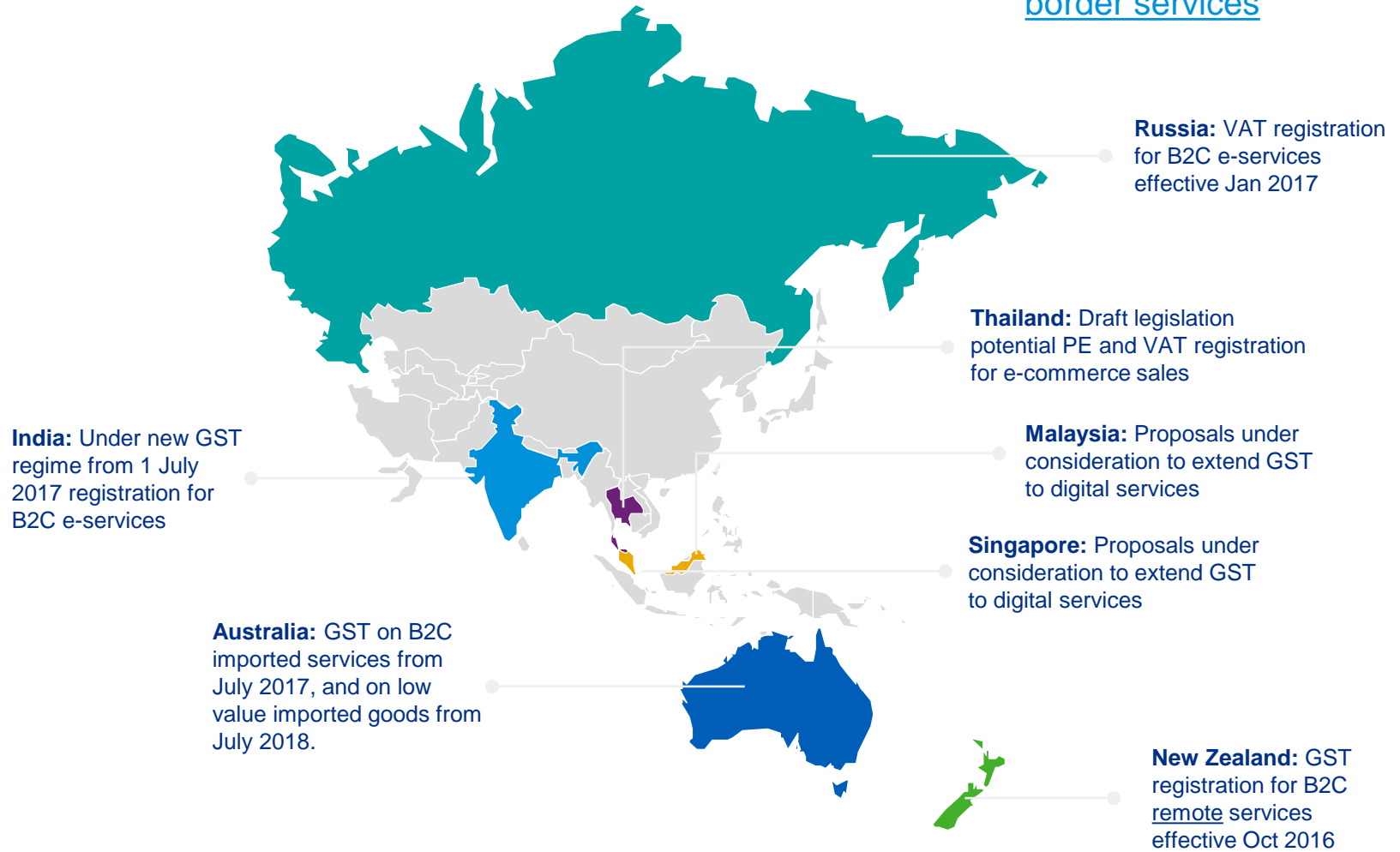
# Developments - The Americas

[Link to KPMG 2017 Survey on VAT/GST treatment of cross-border services](#)



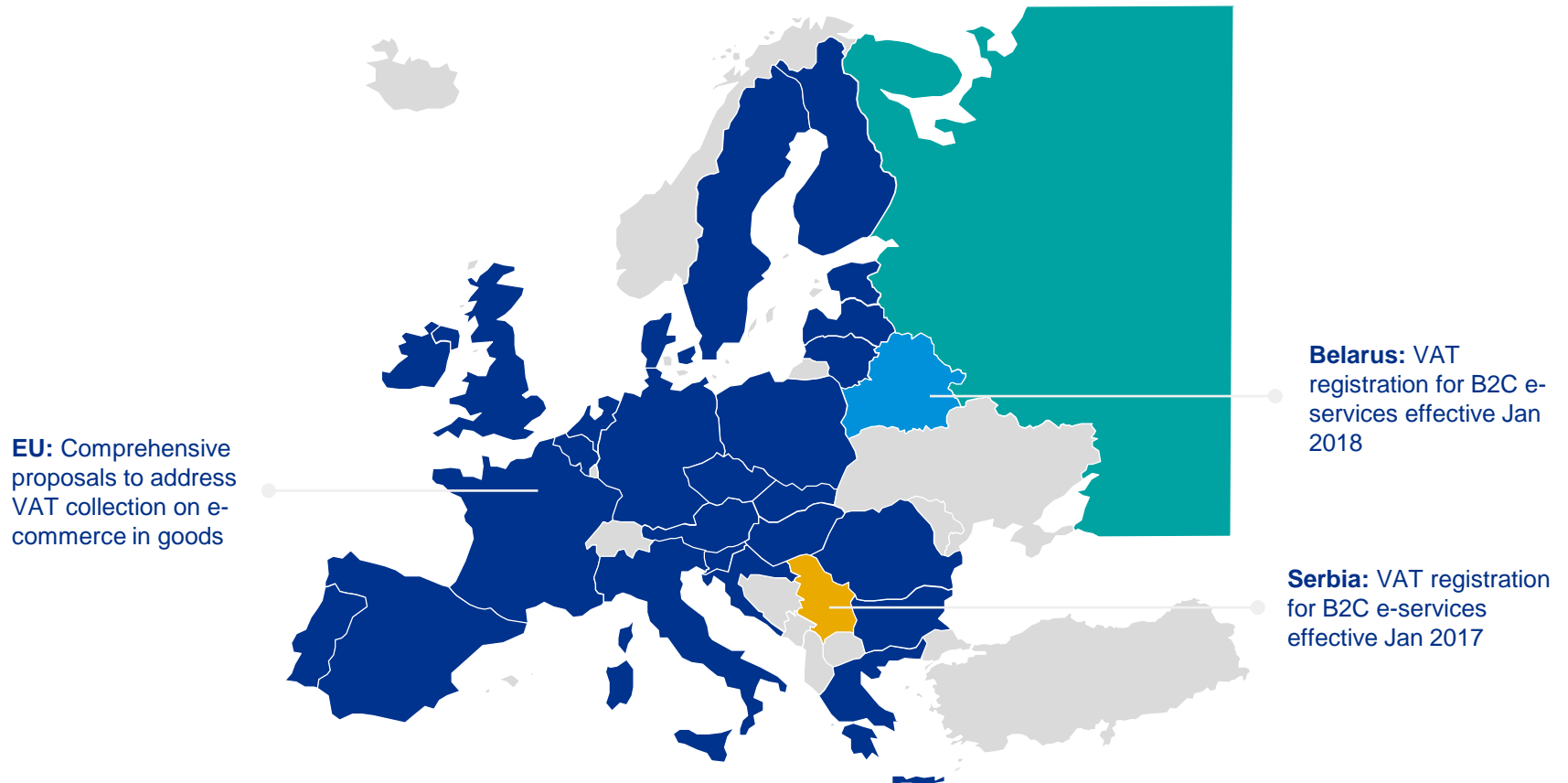
# Developments - ASPAC

[Link to KPMG 2017 Survey on VAT/GST treatment of cross-border services](#)



# Developments - Europe

[Link to KPMG 2017 Survey on VAT/GST treatment of cross-border services](#)





# VAT e-commerce package

## 1 January 2021



"One Stop Shop" for reporting VAT on distance sales

### Applies for both EU and non-EU origin goods

- Low value consignment relief abolished
- **Single registration threshold of €10k**, replaces 27 separate distance selling thresholds

A person who facilitates is considered to "receive and supply"

### *"through the use of an electronic interface such as a marketplace, platform, portal or similar means"*

- Applies in limited circumstances
- What constitutes facilitation?
- How can a middle-man apply the correct tax?

# VAT e-commerce package Joint and Several Liability?



Member States may provide that a person other than the person liable for the payment of VAT is to be held jointly and severally liable for payment of VAT

## **Joint and several liability measures toned down from original draft**

- Applies where sales “facilitated through the use of an electronic interface such as a marketplace, platform, portal or similar means, often resorting to fulfilment warehousing arrangements”.
- But commented that such measures have “proved insufficient to ensure effective and efficient collection of VAT”.

# Split Payments, a new trend?



## Payment of VAT into a dedicated bank account

- Either held with tax authority or with an approved bank
- Which party is responsible for directing the payment?
- What will interaction be with active or live data provision be e.g. SAF-T, SIII?
- VAT fraud is key driver

# Equalization Tax



## Why now?

*“Digitalized business models are subject to an effective tax rate of only 9%, less than half compared to traditional business models”*

European Commission

*“We’re at a stage where countries are saying they will move forward because of domestic political pressure”*

Pascal Saint-Amans, Director, Center for Tax Policy and Administration, OECD

*“The bloc should agree to a tax on revenue, rather than profits, of the digital industry by mid-2018”*

Bruno Le Maire, French Finance Minister

# Equalization Tax

Goal is to take cross-border tax optimization out of tech companies' business planning

## Equalization tax on turnover of digitalized companies

- A tax on all untaxed or insufficiently taxed income generated from all internet-based business activities, including business-to-business and business-to-consumer, creditable against the corporate income tax or as a separate tax.

### Challenges?

- Definition of turnover, covered companies, etc.
- Compatibility with tax treaties (DT or PE), EU-law, etc.?
- Reactions from non-EU?
- Taxes gained vs impact on Economy?
- ...



EUs long-term plan: Fundamental reform of the international corporate tax framework: including virtual PE rules, transfer pricing rules, profit attribution to digital technologies, CCCTB

The EC's view is that the tax framework needs to be reformed to effectively capture the value created in new business models

# Where is the Value Created?

## OECD BEPS-project

- ✓ Action 8-10 of the project addressed how to align transfer pricing outcomes with value creation, to avoid Base Erosion Profit Shifting (BEPS)
  
  - ✓ According to the BEPS-project, the value of an intangible is created where the following activities are performed:
    - Development
    - Enhancement
    - Maintenance
    - Protection
    - Exploitation
- However, in a digitalized world, it is not always clear:

  - what the value is,
  - how to measure it, or
  - where it is created.
- 
- ✓ Value creation, rather than legal ownership or funding, is what determines where profits are to be allocated

# Five key take aways

**Digital  
Economy is  
changing the  
world**

1

**Pressure to  
reach fair  
taxation**

2

**Constant  
global change**

3

**EU is making  
fundamental  
VAT changes**

4

**Focus on  
value creation**

5



# Thank you!



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