

THE DIGITAL ECONOMY

TTN LATIN AMERICA

THE PROBLEM

- BUSINESS IS MUCH MORE MOBILE
- ASSETS ARE MUCH MORE MOBILE
- CURRENT LEGISLATION WAS WRITTEN IN THE BRICKS AND MORTAR TIME

- WHAT IS TAXED WHERE?
- HOW MUCH IS TAXED?

- PERMANENT ESTABLISHMENT ISSUES
- WITHHOLDING TAX ISSUES
- VAT AND SALES TAXES

OTHER ISSUES:

- EFFECTIVE MANAGEMENT TEST
- CHARACTERISATION OF TRANSACTIONS

TYPES OF ACTIVITY:

- PUBLICITY/ADVERTISING
- DIGITAL MEDIA: PURCHASE OR RENTAL, E.G. E-BOOK, APPS
- SALES OF GOODS
- SUBSCRIPTIONS, E.G. CLOUD COMPUTER
- SALE OF SERVICES
- LICENCES (E.G. USE OF SOFTWARE)
- SALE OF DATA
- HIGH FREQUENCY TRADING

DIGITAL PRESENCE IS NOT THE SAME AS
REAL PRESENCE

HOW MUCH PRESENCE IS REQUIRED AND
HOW TO DETERMINE IT?
WHERE DOES VALUE ARISE?

STATUS OF A SERVER?

- IS IT A PERMANENT ESTABLISHMENT?
- IT MAY BE JUST USED FOR STORAGE
- WHAT ABOUT A SMART SERVER?
- WHAT ABOUT SERVERS THAT HAVE TO BE CLOSE TO A CERTAIN LOCATION, FOR INSTANCE FOR HIGH SPEED TRADING?

HOW MUCH PROFIT SHOULD BE ALLOCATED TO THIS?

- IS THE DEVELOPMENT OF THE SOFTWARE NOT THE MOST IMPORTANT?
- WHAT IS THE VALUE OF THE LOCATION OF THE CUSTOMER?

OECD IDEAS

- MODIFICATIONS TO EXEMPTIONS FROM PE STATUS
- NEW NEXUS BASED ON DIGITAL PRESENCE
- VIRTUAL PE
- WITHHOLDING TAX ON DIGITAL TRANSACTIONS
- INDIRECT TAX ON DIGITAL TRANSACTIONS
- “BIT” TAX?

PE

- CURRENTLY EXCEPTIONS FOR PREPARATORY AND AUXILIARY ACTIVITIES
- POSSIBLE LIMITATION TO AUXILIARY ACTIVITIES WHICH ARE NOT CORE FUNCTIONS

- SIGNIFICANT DIGITAL PRESENCE
- POSSIBLE PE THRESHOLDS

VAT AND SALES TAXES

- ELECTRONIC PRODUCTS THAT ARE SIMILAR TO MATERIAL PRODUCTS, FOR INSTANCE:
 - E-BOOK
 - PAPER BOOK LOW RATE
 - BOOK ON USB STICK LOW RATE
 - BOOK DOWNLOADED TO E-READER HIGH RATE

3D PRINTING

- PURCHASE OF GOOD?
- PURCHASE OF SOFTWARE?
- WHAT IF SOFTWARE PROVIDED THE CARTRIDGE?
- WHAT IS IMPORTANT IF ANYTHING?

- IN EUROPE FROM 2015 DIGITAL SUPPLIES TO CONSUMERS ARE SUBJECT TO VAT IN THE COUNTRY OF THE CUSTOMER
- COVERS ELECTRONIC SERVICES
- TELECOMMUNICATIONS
- RADIO AND TELEVISION

NON-EU BUSINESSES NEED TO REGISTER!