



Association
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Accountants™

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Taxation of the digitalized economy:

A policy paper designed to educate,
enlighten and stimulate discussion

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Note: *Taxation of the digitalized economy: A policy paper designed to educate, enlighten and stimulate discussion* was originally issued October 2018. The Appendix has been revised to reflect global activity since the original issue date.

Overview

Executive summary

The taxation of digital transactions in a cross-border context presents several challenges to the concepts of the right to tax and the allocation of profits between countries. International bodies have devoted considerable effort to define these challenges and develop an international consensus on the best approach to address them. Meanwhile, many individual countries over the past few years have unilaterally proposed their own solutions. In addition, the types and nature of digital transactions continue to expand.

The Association acknowledges the efforts of these international bodies and encourages all parties to these discussions to develop policies and platforms that are reasonable for business compliance and tax administration. Any solution should provide mechanisms to resolve controversies, eliminate the double taxation of value or income, and adhere to existing global standards and tax treaties to the extent possible. The Association takes no position on any specific tax proposal or existing law, rather, the purpose of this paper is to educate, enlighten and stimulate the discussion.

Introduction

The taxation of the digitalized economy has been an area of focus for international tax policymakers since at least the emergence of electronic commerce in the 1990s. In the digital domain, products and services are uploaded, downloaded and used without any product or person physically crossing international borders. Significant profits often are generated from sources within countries without establishing a physical presence in those countries. This online environment

presents complex and unique taxation challenges. The existing international concepts of permanent establishment (PE), physical presence, and significant people functions were not designed to address digital transactions and these concepts do not appear to easily apply to the digital realm. International bodies such as the Organisation for Economic Co-operation and Development (OECD)¹ and the United Nations (UN)² have spent considerable resources working to identify issues, develop workable frameworks, and build an international consensus on how to approach these and other concerns, including the relevance and application of the existing international rules and opportunities to enhance tax administration in a fair, effective and efficient manner.

Beginning in 2015, various countries began to unilaterally enact measures on taxation of digital activities, such as the virtual service PE rules in Saudi Arabia, the significant economic presence tests in Israel and India, and the levy on digital transactions in Italy. In 2018, the trend continued with a proposal by the United Kingdom to impose a corporation tax on digital businesses, and a proposed Council Directive by the European Commission (EC) to impose a temporary 3% tax ("Digital Service Tax" or DST) on gross revenues from online advertising, digital intermediary activities,³ and the sale of data generated from user-provided information. The EC's DST proposes to have Member States, where users are located, collect the tax that would apply to companies with total annual worldwide financial statement revenues of more than €750 million and European Union (EU) revenues of more than €50 million. (Hereinafter, these and similar enacted and proposed tax laws from around the world are referred to as "digital taxes.")

¹ The OECD's [Addressing the Tax Challenges of the Digital Economy. Action 1 – 2015 Final Report](#) issued Oct. 5, 2015 recognized the complexity of taxation of the digital economy and the need for further work and development. It pledged to issue a final report in relation to the digital economy by 2020. In March 2018, the OECD issued an update on their work [Tax Challenges Arising from Digitalisation – Interim Report 2018](#), which reiterated the 2020 timeline for a final report.

² The UN's Committee of Experts in International Cooperation in Tax Matters, Fifteenth Session, issued an October 2017 report, [Tax Challenges in the Digitalized Economy: Select Issues for Possible Committee Consideration](#), which identified and analyzed certain issues related to the taxation of the digitalized economy.

³ For example, revenue generated from social networks, music, movies, cloud computing services, software downloads, etc. These intermediary activities are of the type that allow users to interact with other users and which can facilitate the sale of goods and services between them. Certain exceptions from taxation are provided, including activities where physical goods and services are simply sold by a retailer through a website, as the value creation for the retailer lies with the goods or services provided and the digital interface is simply used as a means of communication.

Two policy concerns commonly reflected in these digital taxes are application of the proper profit allocation and a country's right to tax business activity. A key question is whether countries should unilaterally impose new conceptual rules to capture "value creation" or work to develop an internationally-coordinated approach. The latter approach is generally viewed as preferable, in order to ensure equity and fairness (including avoidance of double taxation), tax system compatibility, simplicity, certainty, convenience of tax administration, and provision of mechanisms to deal with controversies.

Some countries desire to act immediately on a unilateral basis to impose digital taxes⁴ in an effort to protect what is perceived as economic fairness and equality of taxation for local companies competing against large multinational internet-based companies. Other countries disagree on the need for immediate action, arguing that a globally coordinated approach provides a better solution for enforcement and international cooperation.⁵ As noted above, the OECD recently studied the impact of digital companies on the economy as part of its Base Erosion and Profit Shifting (BEPS) initiative and concluded that the digital economy is an integral part of, and not separate from, the general economy. However, some participants in the BEPS project strongly disagree with the OECD's conclusion. Resolving that disagreement is a key part of the negotiations in progress at the OECD as they work to develop a final report on digitalization of the economy by their 2020 deadline.

There is a consensus that these policy concerns are best resolved in an international context by agreement reached between various countries working through entities such as the OECD, rather than unilateral actions

by individual countries, or the creation of special rules or exceptions to established international frameworks that are then imposed on a select group of multi-national companies. Due to the continued advances in technology, most companies (regardless of size) are involved to some degree in digitalized activities, either through their use of a website and social media, online advertising or offering physical and digital goods or services for sale online. As a result, the same basic international rules should apply to all companies in relation to sourcing of profits and the right to tax. Other tax administrators have argued that the largest "digital" companies, such as Amazon, Google and Netflix, generate their immense profits from the provision of digital services that are located only online, and that specialized rules of sourcing and profit allocations are needed to fit such a business model.

The Association recognizes that a host of administrability and other practical concerns are raised by the various proposed and enacted digital taxes based on taxing "user-created value" outside of the existing international framework. Historically, the level and geographic location of value creation was determined by analyzing the functions performed and risks incurred in specific companies. Imposing a tax based on the geographic location of a user is inconsistent with the traditional international tax framework, including the arm's-length principle as represented in Article 9 of the OECD Model Treaty.⁶ Imposing a turnover tax (such as a gross receipts tax), rather than an income tax, as a proxy to tax profits earned by an enterprise may seem an attempt to bypass the international treaties and legal commitments on double taxation that various countries have in place.

⁴ As reflected by the digital taxes enacted or proposed by India, Israel, Italy, Saudi Arabia, the EC and others.

⁵ See the [joint statement](#) of the Finance Ministers of Denmark, Sweden, and Finland issued June 1, 2018.

⁶ The OECD's [Model Tax Convention on Income and on Capital](#) issued Dec. 18, 2017.



The Association also acknowledges there are a host of complexities around the taxation of the digitalized economy, and there are strong views among many stakeholders on these issues. We believe that understanding the impact of policy choices available to legislators and tax administrators, taken together with the existing international tax framework, is important when debating these issues. Our intention is to address the administrability of enacted and proposed taxes on digital services, raise policy issues surrounding such taxes, and note the impact of characteristics of such taxes on the existing international framework.

In framing our discussion below, we have viewed the policy issues arising from the digitalization of the economy through the prism of our Tax Policy Concept Statement 1: [*Guiding principles of good tax policy: A framework for evaluating tax proposals*](#). Specifically, the following principles are most relevant to this discussion:

- **Equity and fairness** — Similarly situated taxpayers should be taxed similarly.
- **Certainty** — The tax rules should clearly specify how the amount of payment is determined, when payment of the tax should occur, and how payment is made.
- **Effective tax administration** — Costs to collect a tax should be kept to a minimum for both the government and taxpayers.
- **Economic growth and efficiency** — The tax system should not unduly impede or reduce the productive capacity of the economy.
- **Appropriate government revenues** — Tax systems should have appropriate levels of predictability, stability and reliability to enable the government to determine the timing and amount of tax collections.

Policy issues

Double taxation relief

Over the last century, the international tax community has developed a framework to encourage economic trade and investment between countries. This framework incorporates standards regarding the determination of a state's right to tax and provides for double taxation relief by means of both domestic tax law and international tax treaties. When income is potentially chargeable in two jurisdictions, double taxation is largely avoided through the use of using foreign tax credits or participation exemptions from income. The objective is to provide a single level of taxation on income generated if a tax is based on income or on capital.⁷

Taxes based on turnover, including value-added tax (VAT) type taxes, or digital taxes such as the EC's DST based on gross revenues, operate outside the scope of tax treaties and therefore relief from double taxation is not provided. This result is primarily because a turnover tax, similar to the DST, is a tax based on gross receipts rather than on income or capital. As a result, a turnover-based tax would cause double taxation of profits: once when the services are subject to the DST and again when income is recorded and taxed under an income tax in the country of residence. Unlike existing VATs, the EC's proposed DST does not include an offset for input charges (a process designed to avoid imposing VAT at multiple stages and only imposing it on the ultimate sale transaction), and thus the DST and similar turnover taxes are not functionally equivalent to a VAT. Since a turnover tax is not an income tax, typical relief from double taxation (such as foreign tax credits or exemptions) is unlikely available from the taxpayer's country of residence. The absence of input charge relief commonly provided for in VAT systems and other indirect-type taxes, and the absence of foreign tax credits or exemptions provided for in corporate income tax-type taxes, means that a turnover-type digital tax will result in double taxation.

Double taxation of the type inherent in turnover-type taxes runs contrary to almost a century of international tax policies, standards and coordination that provide relief via tax treaties and conventions. The double taxation challenges outlined above are consistent with broader concerns the tax community has publicly expressed. As the [International Monetary Fund](#) recently noted, "[a]s the whole economy becomes digital, global solutions are required."⁸

To provide relief from double taxation, any digital tax that is proposed or enacted needs to qualify as an income-type of tax that meets the current definition of covered taxes under existing tax treaties. The development of a long-term, globally coordinated solution by the international tax community will need to recognize the potential double taxation issue and provide for a viable, globally accepted preventative solution.

Treaty protection/mutual agreement procedures for controversies

In addition to providing relief from double taxation, tax treaties and double taxation conventions provide mutual agreement procedures (MAP) whereby competent authorities of various countries meet to resolve controversies and issues of double taxation. However, these MAP mechanisms only apply to covered taxes, as defined in the underlying treaty.

As noted above, the current double taxation treaties do not cover turnover-based taxes since a turnover tax is based on gross receipts rather than on income or capital. Thus, taxpayers involved in a controversy with a tax authority over the location of servers or users, or the location or amount of any value creation, could face tax liabilities in multiple countries on the same income if more than one jurisdiction claims taxing rights over a transaction and there is no mechanism available to resolve the dispute.

⁷ See Article 2 of the OECD [Model Tax Convention on Income and Capital](#) and Article 2 of the UN [Model Double Taxation Convention between Developed and Developing Countries](#).

⁸ Posted April 12, 2018.

To provide certainty and a well-established mechanism to resolve tax disputes if two or more countries attempt to impose taxing jurisdiction or allocation of profits over a transaction, it is essential that any digital tax qualifies for dispute resolution procedures under existing tax treaties or conventions.

User-created value

In the debates on the appropriateness of separately taxing activities in the digital economy, one proposed method of implementing a digital tax is imposing a turnover tax, such as the EU's DST. Imposing a turnover tax in a user's home country location implies that individual users generate value, and the country where the individual is physically located at the time of the non-financial transaction has a right to tax that value. However, this assertion contradicts the traditional international consensus on taxing value creation.

Fundamentally, it is not apparent that users create any value even when they engage in an online transaction or provide personal information in exchange for content. The value is created when the manufacturer ships their product, the service provider delivers their service electronically, or by some combination of activities undertaken by a digital service company and their advertisers. Value is not created solely by a user in any meaningful way without the digital-based entity either creating a supply chain, providing personnel to provide services, or offering advertising space for sale.

For example, consider a traditional print-based-medium (such as a newspaper or magazine) that sells mailing lists and access to users through print advertising in their publications. Taxes are not generally imposed on the reader or the user of such print-based-medium as

the source of value creation from an intangible. A general VAT-type tax is possibly imposed as a transaction tax, as it is generally accepted internationally that the seller, not the user, of such information is the value-creator. It does not appear that placing such information online rather than providing it in print shifts where value is created.

A second example relates to consumer purchases of travel services, such as hotels, flights and cruises. "Brick and mortar" travel agencies maintain details of their customers' preferences, which they use to offer special promotions, suggest vacation destinations and generally provide personalized service. Tax is not currently imposed on the travel agencies internal use of these preferences to provide customized services to their clients. There is no indication that the use of consumer data by online travel sites such as Expedia or Travelocity changes the circumstances.⁹

A third example is the use of past purchasing history by traditional retailers. CVS Health maintains records of customer purchases in their retail stores and generates targeted coupons and savings offers that are printed at the cash register upon checkout based on that data. Online competitors such as Amazon use data on past customer sales in a similar manner. Tax is not currently specifically imposed on brick-and-mortar retailers' use of customer sales history for these types of customized offerings. In both cases, user-generated data provides businesses an ability to offer their customers added value.

The above examples, of which there are many similar ones in other industries, highlight a weakness and inconsistency to an approach based solely on assigning a user-created value to a selective and arbitrary group of companies and transactions.

⁹ This refers to an effort to determine value based on the presence of the user in a country and assess a non-income tax on said value.

Acknowledging that this issue is at the heart of the allocation-of-profits debate, we are sensitive to the different perspectives in the international community on whether the arm's-length standard, formulary apportionment or some other basis of allocating taxing rights (such as the use of a turnover tax as a proxy to tax net income profits) is the proper approach. Presently, the arm's-length standard is the internationally agreed upon approach, and the imposition of a digital tax under a different basis to allocate taxing rights directly would cause many of the problems highlighted in this paper, including double taxation, the lack of a mechanism to resolve controversy, and others.

The arm's-length standard, which generally is enshrined in the tax treaties enacted for decades (including the current OECD Model Tax Convention), is a facts-and-circumstances determination based on functions performed and risks incurred. Imposing a turnover tax based on a user's geographical location is not only difficult from a practical perspective (as highlighted elsewhere in this paper) but is potentially illegal under the privacy laws of many countries. Therefore, policymakers may want to consider the advantages of incorporating the internationally agreed upon and established approach of the arms-length standard when taxing created value.

Permanent establishment

For generations, the international standard for determining a country's entitlement to tax the business activity of a non-resident enterprise was based upon whether the activity constitutes a PE within that country; and if so, then limiting the taxing rights to the business profits attributable to that PE. The perceived shortcomings of this traditional framework's application to digital activity, and in particular the requirement of physical activity within a country's borders, as well as the failure to account for any value creation attributable to user activity, form a large portion of the asserted need

for digital taxes. Stated differently, digital taxes authorize the adopting country to impose tax on business profits that, under the traditional framework, are not attributable to a PE within their country.

There is a concern that the "treaty override" nature of some digital tax proposals may lead to significant controversy. For example, while it appears that the intent is that turnover-based levies are not considered income taxes (and thus arguably not prohibited by the allocation of taxing rights set forth in bilateral income tax treaties), it is possible that a reviewing court or organization would disagree. It is foreseeable that taxpayers may challenge any such levy on that basis. Furthermore, a successful effort to keep a digital tax levy outside of the existing tax treaty framework may lead to adverse collateral effects, such as the inapplicability of existing dispute resolution mechanisms, as previously noted.

These concerns inform our conclusion below, that turnover-based digital taxes have significant shortcomings. The more workable approach is for countries and international organizations (such as the OECD and the UN) to adopt a more sustainable modification of the PE standard that appropriately considers the internationally agreed upon approach to allocation of taxing rights and profits and provide dispute resolution to PE issues. Given the widespread adoption of an online digital presence and the sale of product or the provision of services by businesses and organizations of all types and sizes, such international cooperation should have as a policy objective an analysis of what modifications to these traditional measures of taxation are warranted by the digitalization of the economy. It should also work to develop an administrable, predictable, and enforceable PE standard with which businesses of all sizes can easily comply; and provide for workable, practical, and reliable mechanisms to deal with cross-border disputes.

Temporary measures

The proposed EU's DST is presented as a temporary tax measure until a more permanent international solution is developed. Temporary tax measures create specific concerns for taxpayers and tax administrators alike. First, temporary taxes are inefficient for both tax administrators and taxpayers from a compliance and reporting standpoint. Second, temporary measures may give rise to transition issues when or if a consensus on permanent changes is achieved. Third, temporary taxes are difficult to unwind when, or if, a final consensus determination is reached regarding the issues involved. Fourth, implementation of temporary tax measures imposed frequently requires the development of costly reporting regimes by both taxpayers and tax administrators. All four of these concerns are especially relevant to the discussion of digital taxes. The proposed digital taxes, such as the EU's DST, are designed to target specific taxpayers, create an entirely new reporting and payment system and rely on untested tax principles for which no international consensus exists.

Temporary tax measures tend not to expire as planned, if they expire at all^{10, 11}. Taxpayers have well-founded concerns that any implementation of an "interim" or "temporary" measure may become permanent. The reasons for this outcome are numerous but are generally linked to governmental tendencies to rely on the new revenue sources for spending. Once these sources are established, abolishing a temporary tax often appears as a spending cut that is politically untenable to the constituency benefitting from the spending. Also, when temporary measures are enacted, tax authorities and other government agencies often are forced to establish systems to ensure the fair and accurate collection

of those taxes. Those systems (and jobs) become obsolete if the underlying tax is abolished. Therefore, it becomes difficult to justify eliminating a tax after the government has invested in resources designed to aid in its collection.

Temporary taxes often unfairly burden taxpayers. To ensure compliance, taxpayers are frequently forced to establish costly new reporting systems, collection mechanisms, and other administrative processes and procedures in their business operations. These expenditures reduce the return to the capital or labor employed and can lead to a decrease in business efficiency. While this burden is true of all taxes, the problem is especially onerous when the measures are temporary. The costs become "sunk" costs that taxpayers are unable to recover when the tax expires. The forced burden of establishing temporary systems for tax collection and reporting puts taxpayers affected by the tax at a competitive disadvantage.

Finally, temporary measures can influence the ongoing negotiation of a global consensus measure and are therefore best avoided. For example, if the 3% temporary EU DST measures take effect, the efficacy of certain proposals under the OECD plan may undergo a comparative analysis to the temporary system by EU members. This analysis may provide EU members with an incentive to either support or oppose certain measures in a way that may differ from how the measures are viewed in other countries around the world. This approach would likely delay the adoption of a fair and administrable system of taxation that is based on global consensus.

¹⁰ See [Temporary Taxes: States' Response to the Great Recession](#), The Urban Institute, Norton Francis and Brian David Moore, November 2014.

¹¹ See [Temporary Could Mean Permanent When It Comes To Taxes](#), The Tax Foundation, Joshua D. McCaherty, Nov. 17, 2014.

Resident versus source taxation

In acknowledging the ongoing debate among international tax policymakers on resident versus source taxation of corporate income taxes, proposals for a digital tax have largely attempted to impose a turnover tax (not an income tax) based on source taxation rather than residency taxation of digital transactions. To illustrate, consider a digital tax such as the EU DST that imposes a tax on digital goods and services based on the user's Internet Protocol (IP) address (source taxation). This type of tax highlights several of the problems raised by unilaterally imposing source taxation.

First, the proposal applies a one-size-fits-all approach. For example, assume a Canadian resident plans and travels to Europe using the following services: (a) pre-trip, while at home in Canada, flights are booked on Google Flights and lodging is reserved via Airbnb; and (b) during the trip, while in Europe, the individual uses Uber from their phone to travel locally. All (except the point of departure and arrival at the beginning and end of the trip) of the economic activity takes place in Europe, but only local Uber travel is likely subject to the DST due to the user's location at the time the reservation was booked. Sourcing is further complicated if the user's phone, for security purposes, is connecting through a virtual private network (VPN) based in Canada while making the Uber reservation, in which case none of the user's activity is subject to the tax despite all the consumption of the goods and services occurring within the EU.

Second, determining the IP addresses of users with enough certainty to determine their precise location would entail the voluntary elimination of privacy by the user, or a mandate by legislative authorities, which is counter to current EU privacy directives as well as those of most non-EU countries.

Finally, given the mobility of users, digital service providers would lose their ability to plan for and manage their tax liability because they would not know where their services are consumed until after the fact. Without a privacy intrusion, the administrability and legality of a tax based on each user's location is questionable. To implement a source-based system that is both manageable and protects the privacy of users, a more practical solution is to use the account holder's address of record or the billing address of a credit card used to make a purchase. Note that the opposite case would occur if a European resident plans a trip to Asia, in that digital taxes are imposed on the European resident despite the consumption of those services occurring in Asia.

In contrast, a digital tax based on the residence of the provider of a digital good or service is predictable in terms of its location, thus allowing providers to manage their affairs with some certainty. In our prior example, the Airbnb provider is subject to the tax and, as most would agree, the Uber driver is as well. However, imposing a digital tax on the service provider across the globe to ensure the taxation of such services would require an international consensus, and presumably relief against double taxation.

International tax issues and tax policies are most effective and efficient when tax systems operate within an internationally agreed upon platform and approach. The Association supports international coordination to develop a global solution to the taxation concerns raised by digital transactions and the general digitalization of the economy.



Conclusion

International tax issues and tax policies are most effective and efficient when tax systems operate within an internationally agreed upon platform and approach. The Association supports international coordination to develop a global solution to the taxation concerns raised by digital transactions and the general digitalization of the economy. We acknowledge the recent efforts on taxation of the digitalized economy by the OECD during its BEPS initiative and strongly urge all countries to work within such international organizations to develop a framework to tax the digitalized economy. Such a framework should apply consistent and internationally recognized concepts of permanent establishments, prevent double taxation, provide MAP relief to manage controversies where value and/or income is taxed more than once, and adhere to global standards regarding residency versus sourcing based taxation.

We have viewed the policy issues arising from the digitalization of the economy through the prism of our Tax Policy Concept Statement 1: *Guiding principles of good tax policy: A framework for evaluating tax proposals*. Specifically, the following principles are most relevant to this discussion:

- **Equity and fairness** — Similarly situated taxpayers should be taxed similarly.
- **Certainty** — The tax rules should clearly specify how the amount of payment is determined, when payment of the tax should occur, and how payment is made.
- **Effective tax administration** — Costs to collect a tax should be kept to a minimum for both the government and taxpayers.
- **Economic growth and efficiency** — The tax system should not unduly impede or reduce the productive capacity of the economy.
- **Appropriate government revenues** — Tax systems should have appropriate levels of predictability, stability and reliability to enable the government to determine the timing and amount of tax collections.

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Appendix

Description of existing and proposed taxes on the digital economy

Country/organization	Status	Summary
Argentina	Enacted laws/rules	As a result of tax reform in 2017, VAT legislation has been amended to include “digital transactions” (e.g., digital services, hosting, online technical support, software services, Internet services) provided from abroad as a taxable event. Hence, these types of services are now subject to VAT at a 21% rate if they are supplied by a non-resident entity to an Argentine customer, provided that they are effectively used in Argentina.
Australia	Not pursuing	On March 20, 2019, Australia announced its determination to wait on OECD action before implementing a tax on digital activities.
Austria	Proposed legislation	On April 3, 2019, Austria proposed a 5% digital advertising tax on companies with at least €750M in annual global sales if more than €25M of those sales are linked to digital advertising in Austria. Would also apply to online booking and retail platforms by 2020.
Brazil	Enacted laws/rules	Effective Jan. 1, 2018, a federal law was approved that authorizes cities to create a minimum service tax on companies that provide video, imaging, sound and text for downloading, as well as the sale of applications. San Paulo and Rio de Janeiro have both imposed a minimum service tax.
Bulgaria	Enacted laws/rules	Effective Jan. 1, 2019, Bulgaria imposed VAT rules for cross-border digital services that exceed a €10,000 threshold.

Country/organization	Status	Summary
Chile	Proposed legislation	On Aug. 23, 2018, Chile proposed a bill that would establish a 10% tax on digital services, including digital brokering services, digital content entertainment (either downloadable, streaming or other technology), advertising services (to be used abroad), use of and subscription to platform and technological services and storage services (cloud or software services) provided by non-residents to Chilean individuals (independent of where servers may be located). The bill would also establish electronic payment administrators (e.g., credit card companies) as withholding agents.
Colombia	Enacted laws/rules	Effective Jan. 1, 2019, expanded existing law regarding digital taxes subject to VAT. Foreign service providers of digital services can now opt into a VAT withholding tax collection system. The prior law (effective Jan. 1, 2017) provided that provision of digital services by non-resident companies to a Colombian beneficiary are subject to VAT.
Estonia	Proposed legislation	In response to the EU's digital tax package, Estonia suggested different thresholds apply for each member country considering the size of each member country.
European Union	Proposed legislation	Two proposals by the EU have failed to gather sufficient support to pass: an EU-wide digital tax and an EU-wide advertising tax.
France	Proposed legislation	On April 2, 2019, France proposed a 3% digital services tax on companies with at least €750M in annual global revenue and French revenue of at least €25M. The 3% tax on turnover would apply to revenues from online advertising and the sale of consumer data, and to revenues derived from serving as an intermediary between sellers and buyers.

Country/organization	Status	Summary
Germany	Under consideration	Germany is considering imposing a 15% withholding tax on online advertising as royalties.
Hungary	Enacted laws/rules	Effective July 1, 2017, taxing online advertising revenues over about €320,000 at 7.5%.
India	Enacted laws/rules	Effective April 1, 2019, will tax a “significant economic presence” of a non-resident in India that will constitute a “business connection.”
Indonesia	Proposed legislation	Proposal to introduce a 0.5% tax rate on digital economy transactions.
Israel	Enacted laws/rules	Effective April 11, 2016, established new “significant economic presence” PE rules.
Italy	Enacted laws/rules	Italy has enacted a 3% digital services tax on companies with global revenue greater than €750M and revenue from Italy exceeding €5.5M. The law will be effective 60 days after an implementing decree is published in the <i>Official Gazette</i> : expected to be around the end of June 2019.
Latvia	Proposed legislation	Draft tax bill released for digital economy transactions that includes measures to track transactions occurring through online platforms, including joint ventures that conduct online transactions, and provides rules for nonresident websites whose only economic activity is advertising.
Malaysia	Enacted laws/rules	On April 8, 2019, Malaysia imposed a 6% digital services tax on foreign digital service providers effective Jan. 1, 2020.

Country/organization	Status	Summary
Mexico	Under consideration	On April 9, 2019, Mexico's deputy finance minister announced that Mexico plans to tax digital platforms, such as video streaming, in its budget for 2020.
New Zealand	Under consideration	Has published policy papers dated Dec. 13, 2018, and Jan. 29, 2019, regarding the imposition of a possible 3% digital services tax.
Norway	Under consideration	Studying issues around digital taxation. Expected to provide a temporary proposal by the fall of 2019.
OECD	Under consideration	OECD has proposed a 2-pillar approach to tax digital transactions. The first pillar relates to allocation of profits and changes to nexus rules for multinational companies. The second pillar is not related to digital taxes, but rather to implementing a new minimum tax.
Philippines	Under consideration	Considering imposing services from digital transactions to VAT.
Romania	Proposed legislation	Approved the EU's recommendation for a digital services tax.
Russia	Enacted laws/rules	Effective Jan. 1, 2017, VAT of 18% (increased to 20% from Jan. 1, 2019) applies to all digital service transactions.
Saudi Arabia	Enacted laws/rules	Uses the concept of "virtual service PE" with respect to services rendered by nonresidents.
Serbia	Enacted laws/rules	Effective April 1, 2017, VAT of 20% applies to all cross-border digital transactions.

Country/organization	Status	Summary
Singapore	Enacted laws/rules	With effect from Jan. 1, 2020, Singapore will impose GST on certain digital services, and introduces an Overseas Vendor Regime.
Slovakia	Enacted laws/rules	Amended income tax laws in January 2018 to add a tax on providers of services on digital platforms.
South Africa	Enacted laws/rules	In June 2014, South Africa made income earned by non-resident providers of electronic services to consumers liable to Value Added Tax. Effective April 1, 2019, this was extended to B2B services provided to South African businesses by foreign providers.
Spain	Proposed legislation	In April 2019 Spain proposed a 3% digital services tax on companies with more than €750M per annum in revenue and €3M in annual revenue from Spain.
Taiwan	Enacted laws/rules	Effective May 1, 2017, VAT of 5% applies to the supply of digital services; additional guidance issued in May 2018.
Thailand	Enacted laws/rules	Effective May 14, 2018, two emergency decrees issued on the taxation of digital asset business operations.
United Kingdom	Proposed legislation	Has proposed a 2% DST to be effective from April 1, 2020.
Uruguay	Enacted laws/rules	Effective Jan. 1, 2018, Uruguay imposed a tax on certain digital services provided by a non-resident to Uruguay service users, including any audio/video content.

Notes

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