

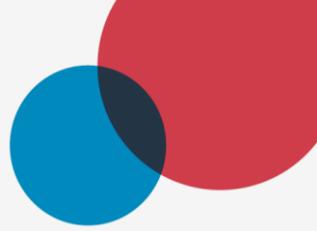


# DIGITAL ECONOMY RETHINK

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Your global tax partner

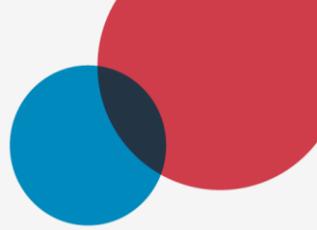
# ORIGINS OF THE INTERNATIONAL TAX SYSTEM



- ❖ 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.



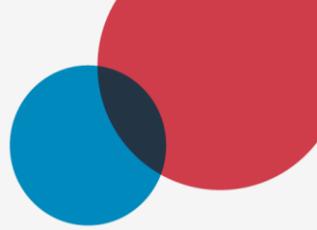
# MOVEMENT TOWARDS GLOBALISATION



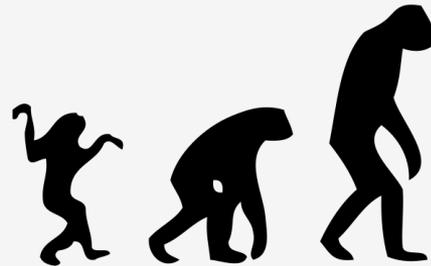
- ❖ As globalisation began to occur, the old taxation model was no longer sufficient
- ❖ Companies' markets began to expand and the interaction of national taxes became an immediate issue, leading to the identification of the problem of international double taxation
- ❖ It was necessary to refine some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



# LABOUR RIGHTS MOVEMENT

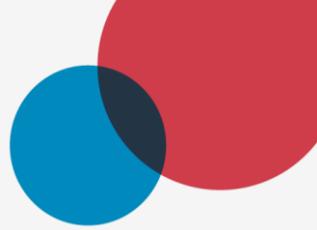


- ❖ The labour rights movement in the West led to increased employee protections:
  - Introduction of a minimum wage
  - More stringent labour laws
- ❖ The cost of employment rose for manufacturers based in the West
- ❖ As a result, they shifted their operations to cheaper and less regulated jurisdictions.

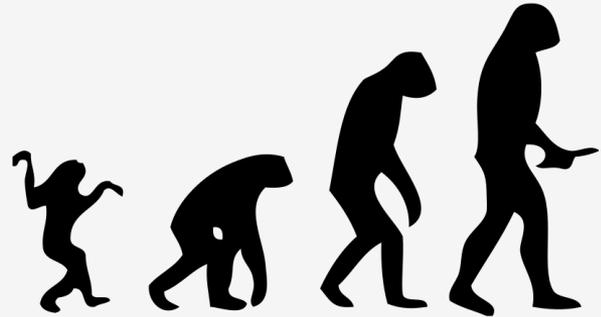


❖ TAXAND

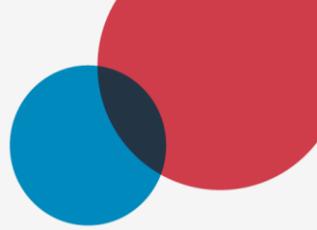
# ADVENT OF THE INTERNET



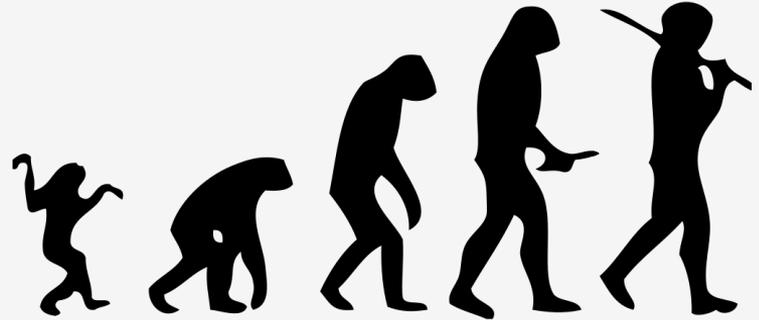
- ❖ The use of the internet allowed cross-border trade to become seamless
- ❖ Digital businesses could generate significant revenue in a jurisdiction where they had no physical presence
- ❖ The legal ownership of IP could be separated from the physical activities of a business and could be held in low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



# PRESENT DAY

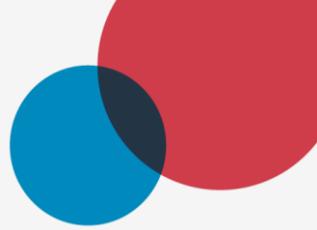


- ❖ The evolution of business models means that companies operate in a fundamentally different manner today than at the time the international tax and customs rules were designed
- ❖ Colonial powers no longer benefit from the taxation system they created:
  - Manufacturing has shifted to countries with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



## ❖ TAXAND

# EXAMPLE



## ❖ TAXAND



### 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?

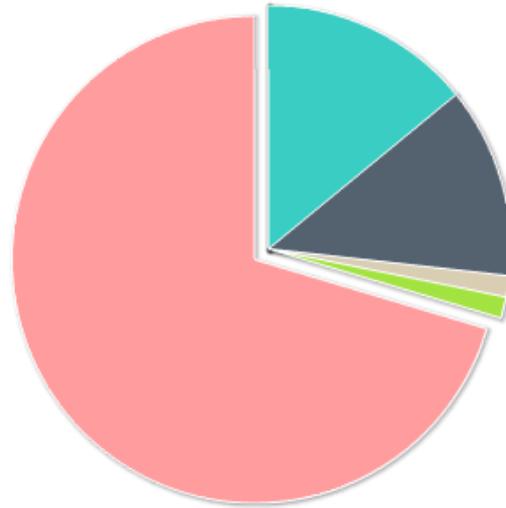


# AUDIENCE POLL 1

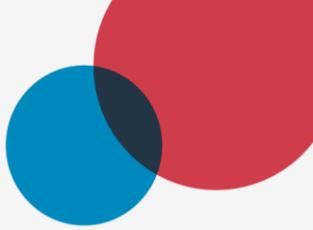
In which continent do you live / exercise your (tax) profession?

View:  

Choices	Results	
Asia / Australasia	10	14%
Americas	9	13%
Africa	1	1%
Middle East	1	1%
Europe	50	70%



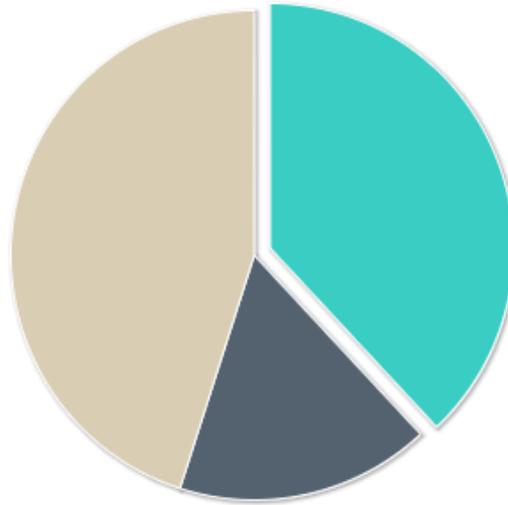
# AUDIENCE POLL 2



Will the UK ever leave the EU?

View:  

Choices	Results	
Yes	27	38%
No	12	17%
How can anyone know?	32	45%

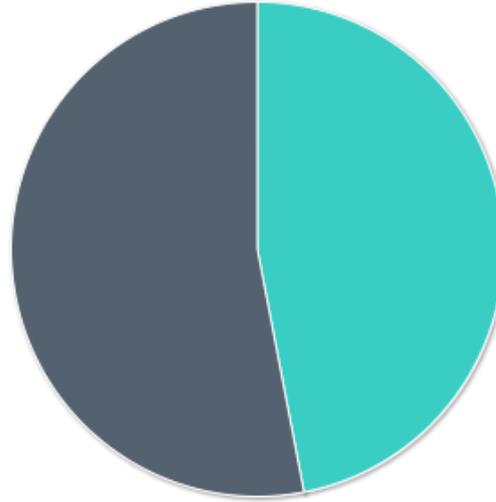


# AUDIENCE POLL 3

Will Notre Dame be rebuilt within 5 years?

View:  

Choices	Results	
Yes	31	47%
No	35	53%



# AUDIENCE POLL 4

Did you join the Barth run?

View:  

Choices

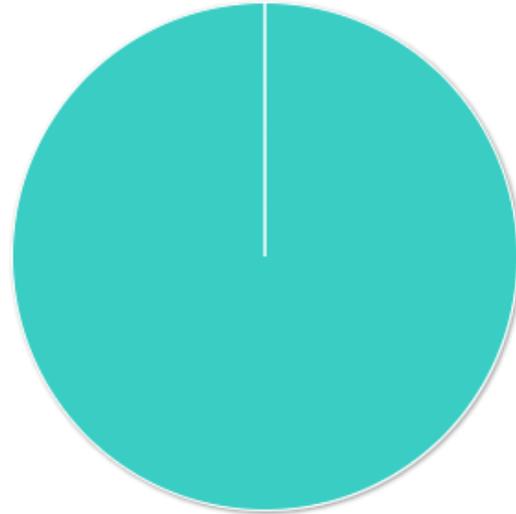
Results

Of course



41

100%

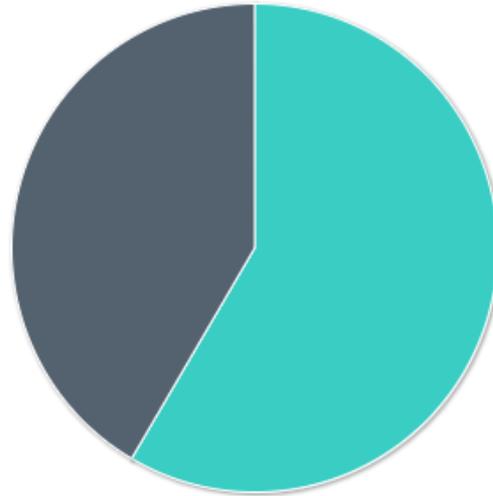


# AUDIENCE POLL 5

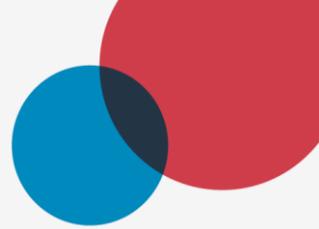
Did your country introduce, or is your country considering introducing a digital (economy) tax?

View:  

Choices	Results	
Yes	38	58%
No	27	42%



# AUDIENCE POLL 6



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

View: 🕒 📄

Choices	Results	
the "user participation" proposal	15	36%
the "marketing intangibles" proposal	6	14%
the "significant economic presence" proposal	5	12%
other proposal	16	38%

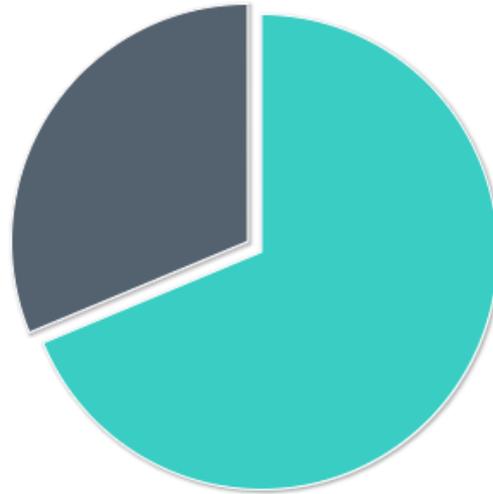


# AUDIENCE POLL 7

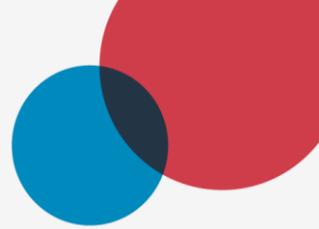
Should the user participation proposal contain an exemption for loss making companies?

View:  

Choices	Results	
Yes	33	69%
No	15	31%



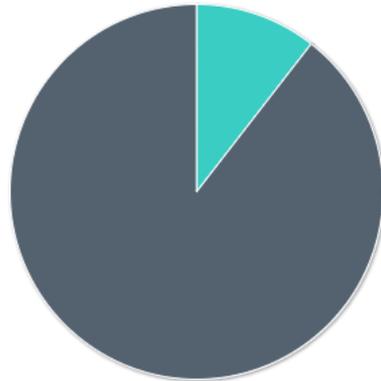
# AUDIENCE POLL 8



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

View: 🕒 📄

Choices	Results	
Anti-abuse / BEPS perspective	6	11%
Changing economy	51	89%

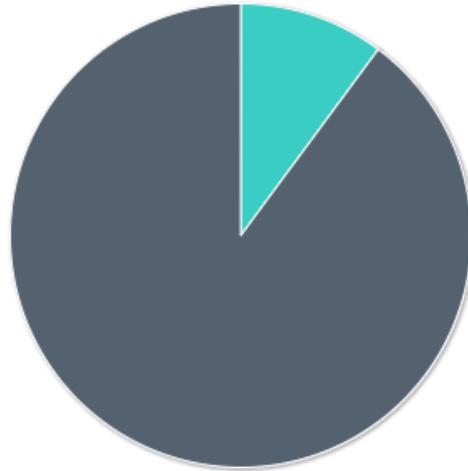


# AUDIENCE POLL 9

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

View: 🕒 📄

Choices	Results	
Unilateral approach	6	10%
Global model	53	90%

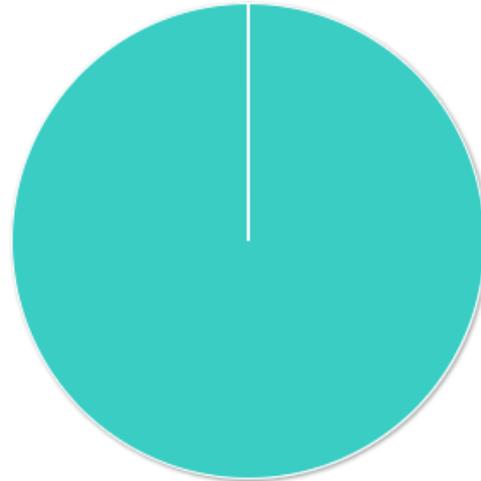


# AUDIENCE POLL 10

Should we allow a permanent establishment without employees?

View:  

Choices	Results		
Yes		1	100%
No		0	0%

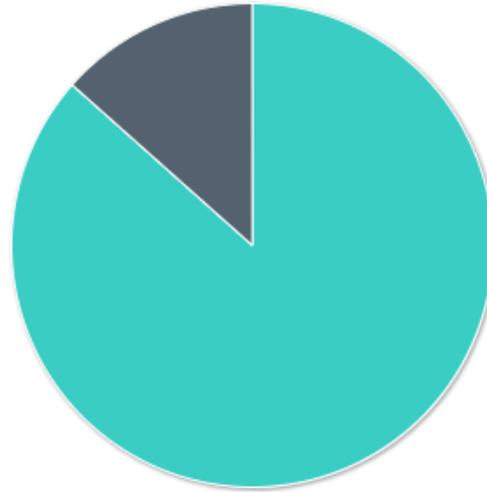


# AUDIENCE POLL 11

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

View:  

Choices	Results	
Yes	45	87%
No	7	13%

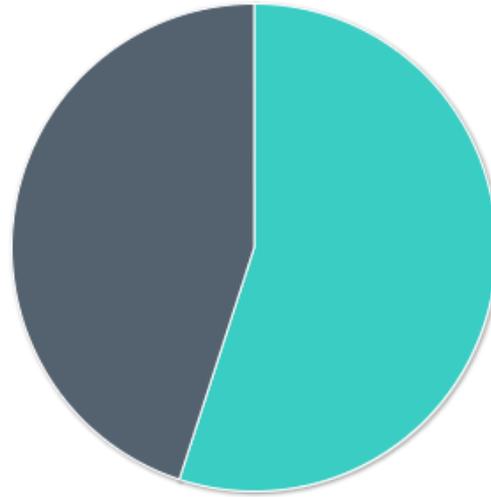


# AUDIENCE POLL 12

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

View:  

Choices	Results	
Yes	33	55%
No	27	45%

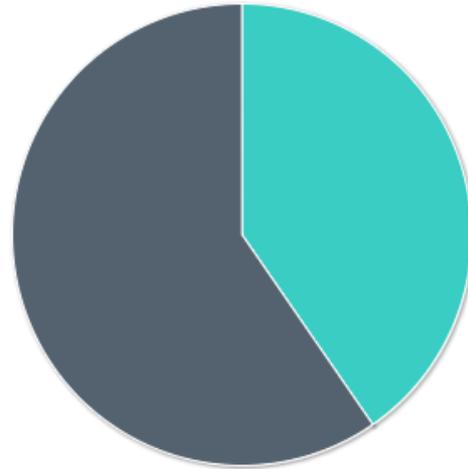


# AUDIENCE POLL 13

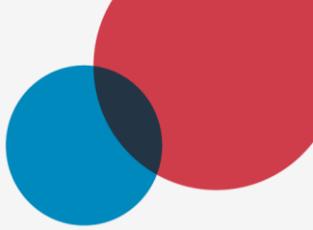
Should we abolish corporation tax and replace with a new model?

View:  

Choices	Results	
Yes	23	40%
No	34	60%



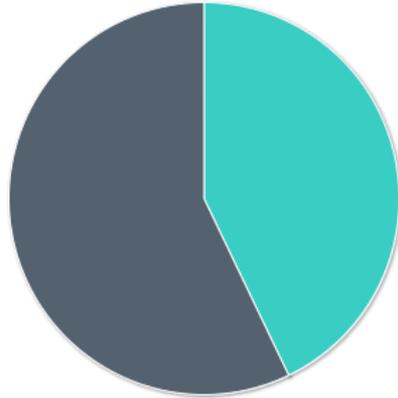
# AUDIENCE POLL 14



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?

View:  

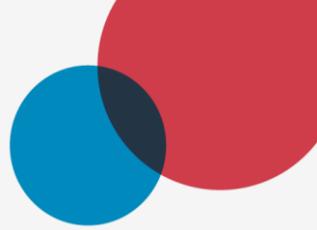
Choices	Results		
Yes		12	43%
No		16	57%





**SPEAKER  
PROFILES**

# SPEAKER PROFILE



## **Martin Phelan**

### **Head of Tax, William Fry, Taxand Ireland**

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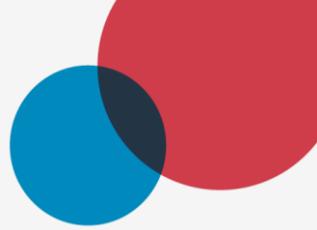
Martin is Head of William Fry Tax Advisors/Taxand Ireland and a current board member of Taxand, a global tax organisation of which William Fry Tax Advisors is the exclusive Irish member firm. He has over 25 years' experience in advising on international tax in all sectors. Martin also specialises in 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



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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.