

Taxation Trends in the Digital Economy: Focus on the development of income tax in OECD and EU

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Abstract

The tax challenge in the digital economy is currently the most difficult problem for all countries. The traditional rules of international tax law can no longer be applied to economic activities that are mainly mobile and digital in particular. In short, the principle of residence and the principle of territorial source lose their meaning in the digital economy, and they are replaced by places of value creation and economic activities. In addition, when economic activities are achieved through a permanent establishment model with a physical presence in a non-traditional sense, the physical existence should be replaced by modern information and communication technology. The speed of changes in international tax laws is presently unprecedented.

In order to solve the income taxation challenge of cross-border e-commerce by the digital economy, Taiwan's Ministry of Finance referred to the practices of the European Union and some OECD countries and announced the "Key Points for Taxation of Cross-border Sales of Electronic Services for Foreign Enterprises" in May 2018. Amendment to Article 8 of the Income Tax Law about the principle of territory sources. According to this, when cross-border e-commerce sales electronic services to domestic buyers, he must pay income tax for profitable businesses. Although Taiwan has a cross-border e-commerce tax system, there are still some conceptually unclear parts in the new income tax system.

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Therefore, it is necessary to grasp the trend of international taxation in the digital economy. This article mainly introduces the taxation development of the OECD and the EU on the digital economy, and through the case of multinational digital companies discusses the taxation dilemma under the current international taxation in digital services. Examine whether the measures of the OECD and the EU help solve the problem, and reconsider it. Finally, review Taiwan's regulations on taxation of cross-border e-commerce income, and after analyzing the pros and cons of OECD and EU measures, propose the most suitable taxation plan for Taiwan.

Keywords: digital economy, place of value creation, intangible asset, data, permanent establishment, transfer pricing, digital tax, significant digital presence, digital permanent establishment, cross-border e-commerce