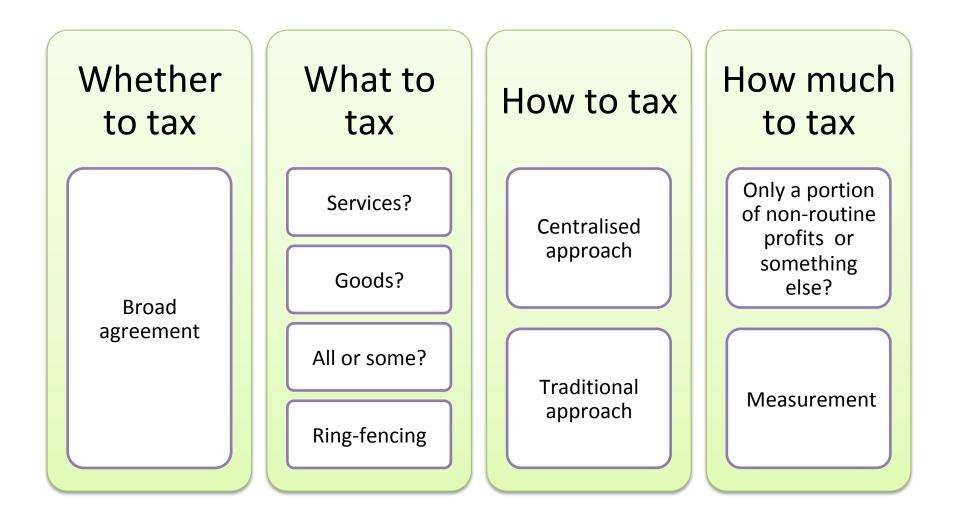
South Centre Are alternatives available? Exploring the UN solution on Automated Digital Services

Presentation by

Rajat Bansal, UN Tax Committee Member

15th June, 2021

Elements of challenge to digital economy taxation



Why Alternative Approach Needed

Complexity

Reasonable share for market jurisdictions

Journey of Article 12B

UN Tax Committee- How it works-What is its mandate-Special attention to interest of developing countries

Tax challenges of digitalised economies taken up as a work stream for present membership in 2017

Whether to just observe or do something more?

18th Session-April 2019-Decision taken to work independently-Take into account other foras' work – Proposals from members invited

20th Session-June 2020-Proposal by Member- Formation of a Drafting Group

21st Session-October 2020-In principle approval of Article 12B

22nd Session-April 2021-Text of Article 12B and Commentary finalised and approved

Why Modify Tax Treaties

Taxing rights flow through domestic law

Treaty overrides domestic law

Treaty does not permit taxation if no PE

Need for treaty modification

Elimination of double taxation Role of UN Model Tax Convention in treaty modification

Features of Article 12B

Scope-Automated Digital Services

Gross basiswithholding tax option

> Net basis taxation option

Payment Basis Interaction with other Articles

Conclusion

No suggestion to tax digital businesses-matter of domestic law exclusively

No interlinking with other issues-Stand alone basis solution

Traditional approach for MNE taxation in a decentralised manner

Implementation-bilateral negotiations-multilateral instrument?

Possible end to unilateral measures-Equalisation levies and DSTs

Thanks