

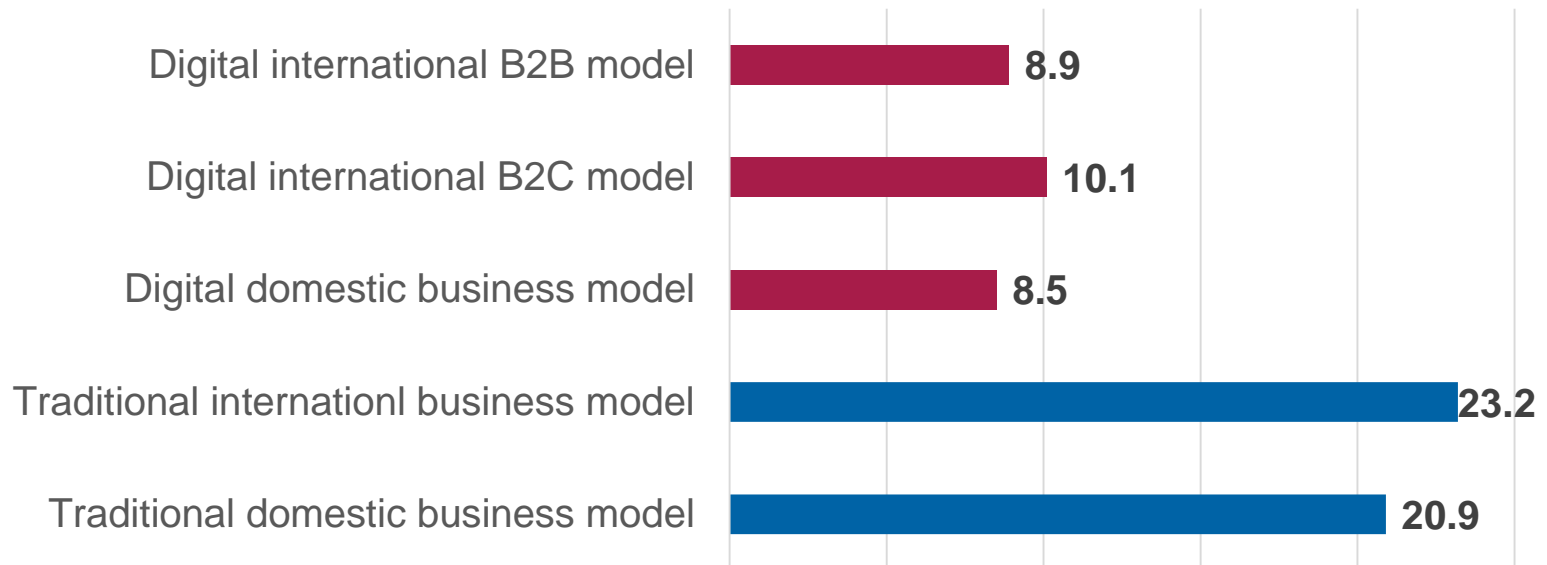
# JVI Webinar – Digitalisation and Taxation

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## Digital Business Models vs. Traditional Business Models

Effective Average Tax Rate (%) EU 28



# Starting point ...

## “Vintage style” international tax rules in a digitalized world: are “market states” getting a fair share of the tax pie?

- **Digital Economy:**

- Cross-jurisdictional scale without mass
- Heavy reliance on intangible assets, especially IP
- Importance of data, user participation and their synergies with IP

- **Current *nexus* and *profit allocation* rules**

- „brick-and-mortar business“
- misalignment between place where the profits are taxed and place where value is created

- **BEPS discussion**



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# From BEPS to Pillar I and II

2012  
2013

- **OECD/G20 BEPS Project**
- **Action 1 – Addressing the Tax Challenges of the Digital Economy (TFDE)**

2015

- BEPS Action 1 – **Final report**
- **Continued work** on broader tax challenges **necessary**

2016  
2017

- **Inclusive Framework** - inclusion of non-OECD-states
- New program of work– TFDE/IF

2018

- **Interim Report**

1/2019

- Policy Note – **2 Pillar approach**
  - **Pillar 1: Nexus and profit allocation**
  - **Pillar 2: global minimum tax and remaining BEPS issues**

- **New nexus** in the form of a significant economic presence
- **Withholding tax** n certain types of digital transactions
- **Equalization levies (DST)**

# From BEPS to Pillar I and II

3/2019

- **Public consultation on Pillar I**

3 alternatives

10/2019

- OECD secretariat proposal for a „**Unified Approach on Pillar I**“

11/2019

- **Public consultation on Pillar II**

1/2020

- **Statement by the IF on Two Pillar Approach ⇒ Outline of the Architecture of a Unified Approach to Pillar I and progress note on Pillar II**

10/2020

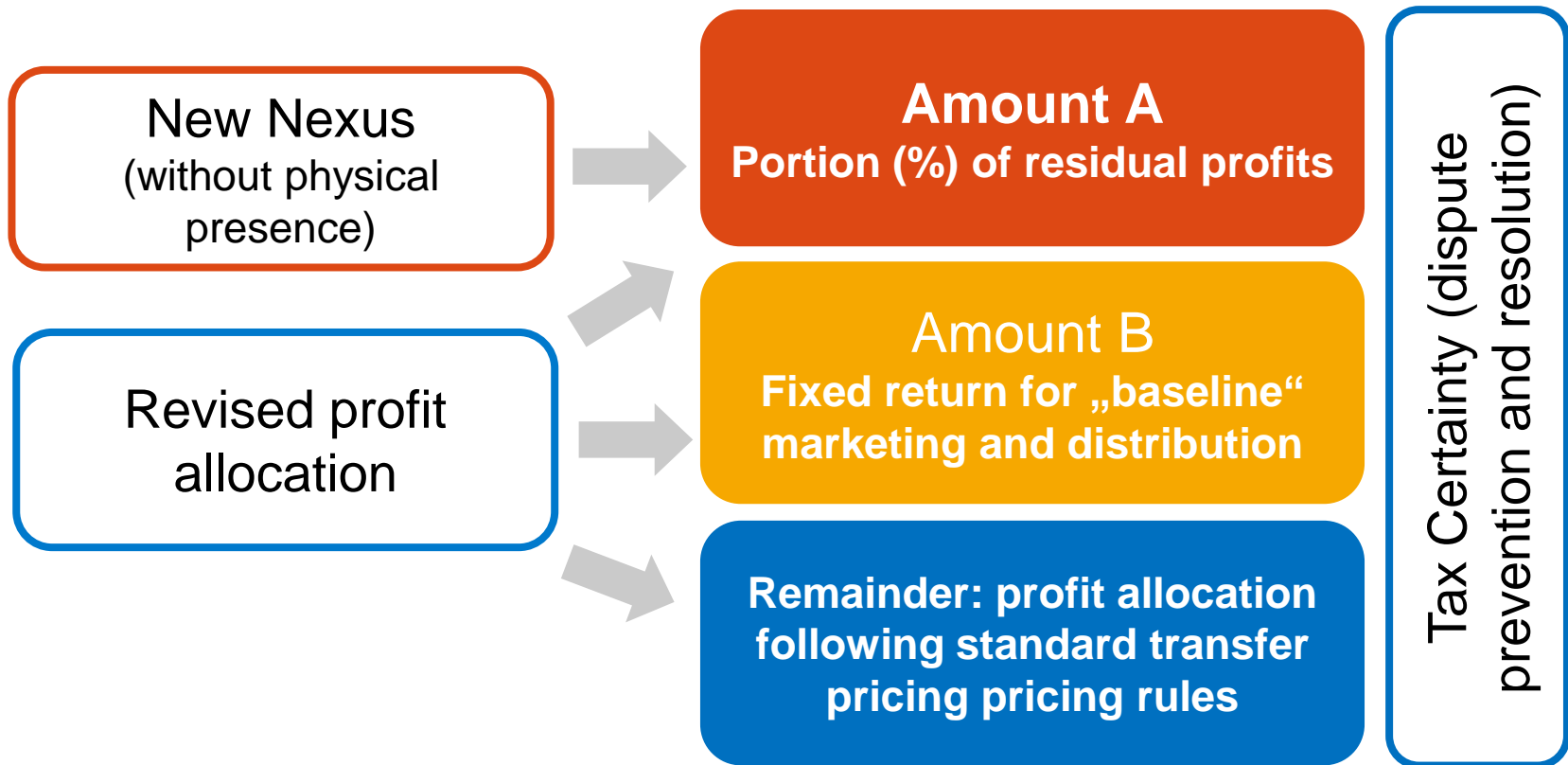
- **Report on Pillar I and II blueprint + public consultation**

Mid  
2021

- **Conclusion ⇒ otherwise EU solo effort?**

# Pillar I in a nutshell

Expansion of taxing rights of market/user jurisdictions where there is an „active and sustained participation“



# Pillar I in a nutshell – Amount A

## Scope

### Automated Digital Services

Services made available to users through digital means, which access is obtained in an automated fashion by virtue of equipment and systems (positive list + negative list)

### Consumer Facing Businesses

Supply of goods or services commonly sold to consumers

**MNE with global consolidated gross revenue > threshold**



**Foreign in scope revenue > de minimis threshold**

## Nexus


**„significant and sustained engagement“** in market/user jurisdiction

Market revenue > threshold + **plus factors** for CFB

⇒ Revenue sourcing

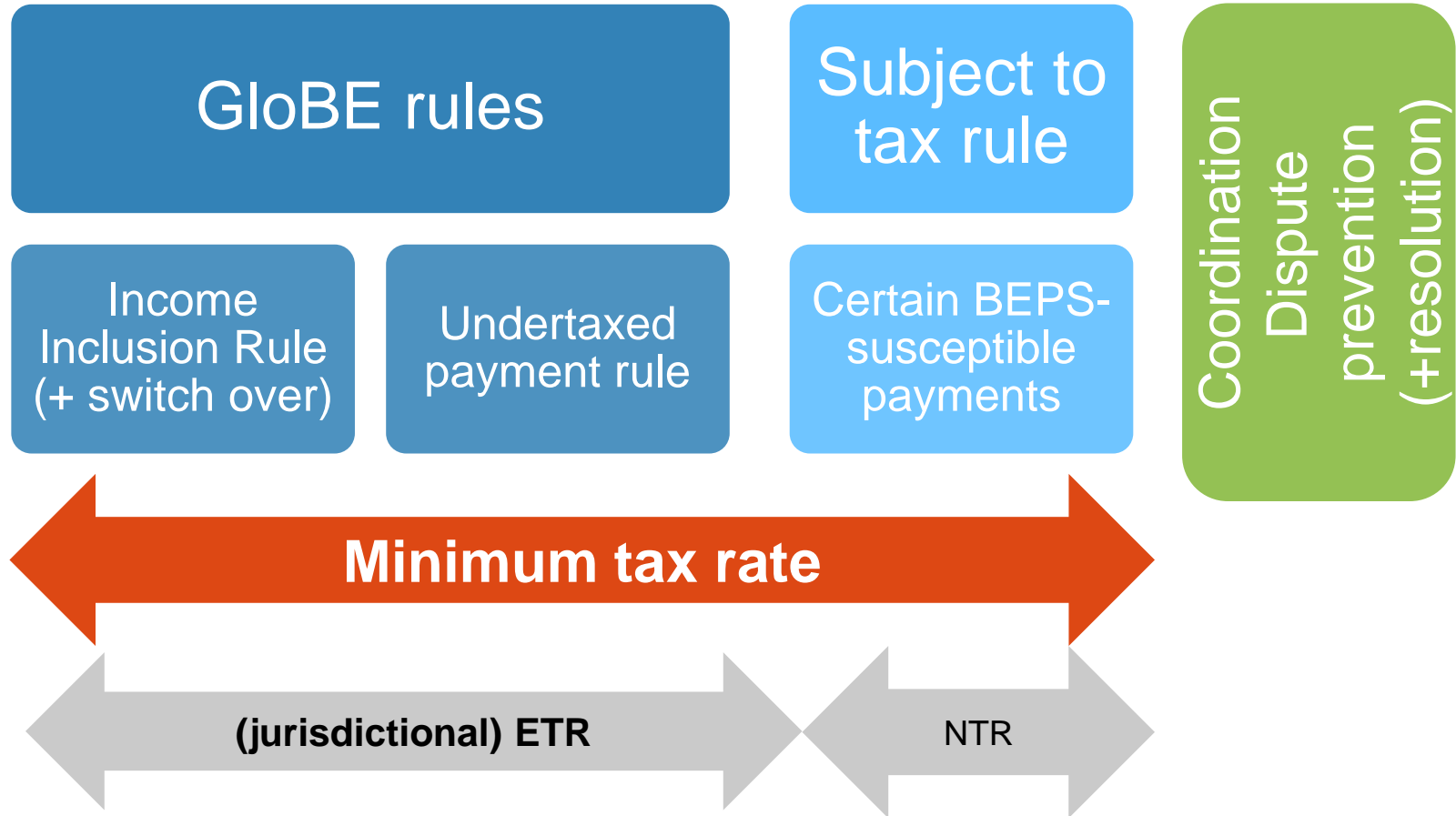
# Pillar I in a nutshell

Amount A („quantum“)	
<b>1. Tax base determination („profit before tax“)</b> of MNE	consolidated financial accounts + book-to-tax adjustments + loss carry forward rules (earn out mechanism) business line segmentation if
<b>2. Elimination of routine profits</b> to receive <b>residual profits</b>	Definition of profitability threshold [x]% profit margin
<b>3. Determination of share of residual profits that is reallocated to market states</b>	[x]% of residual profit (reallocation threshold)
<b>4. Allocation of market related residual profits to the eligible market jurisdiction</b>	Allocation key

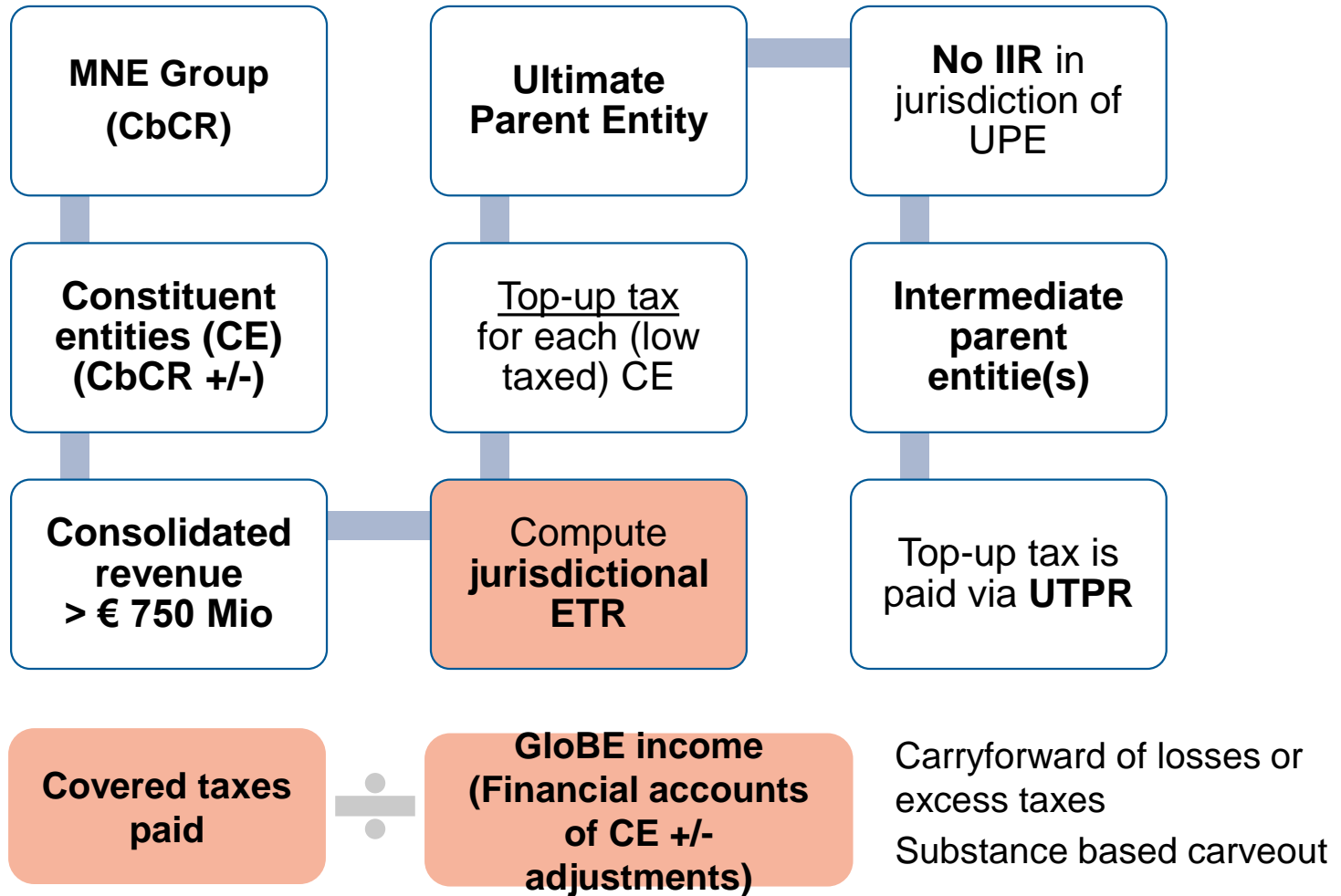
  
 Rules on the elimination of double counting and double taxation



# Pillar II in a nutshell



# Pillar II in a nutshell



Thank you for your attention