

TAXATION AND DIGITAL INNOVATION

EXECUTIVE SUMMARY OF THE RESEARCH ROADMAP

The Tax Policy Center of the University of Lausanne in Switzerland (www.unil.ch/taxpolicy) and the International Bureau of Fiscal Documentation in Amsterdam (www.ibfd.org) are launching a joint research project investigating the impact of digital innovation on domestic and international tax policy.

Background

Within the framework of the OECD/G20 Project on Base Erosion and Profit Shifting (BEPS), the international tax implications of the digital economy were highlighted as a key area of intervention. BEPS Action 1 identified the challenges raised from a tax policy perspective both in the area of direct and indirect taxation. This work is currently ongoing, with an interim report expected in 2018 and a final report scheduled for 2020.

Some direct tax policy challenges have already been addressed through the BEPS action plan. Moreover, international guidelines on VAT/GST can also be mentioned as progress in this area.

This being said, **more fundamental policy challenges remain** regarding inter alia the characterization, valuation and localization of digital transactions. Recent unilateral actions taken by some countries to address these challenges stress the need to **promote coordinated responses** in this area. Finally, digital innovation raises unforeseen challenges, such as the question of whether and how value created through **artificial intelligence** should be taxed.

Objectives and scope of the research project

The research project is driven by a **realistic and holistic approach**: finding policy options that would lead to a feasible change to domestic and international tax rules and could be **realistically implemented in an efficient, fair and administrable way**.

In the light of the above, the research project shall focus on the following key areas:

- **Identifying the peculiarities of the digital economy from a tax policy angle by analyzing the business models** that drive digital innovation (including the development of artificial intelligence) and conceptualizing the related fundamental implications from a tax policy perspective, especially with regard to the key driver of “value creation”;
- Analyzing the policy challenges that have **emerged in the area of direct taxes, tax treaties and VAT/GST**;
- **Monitoring and analyzing disputes – in particular tax treaty disputes** – that are emerging in the current framework as a result of the digitalization of business models.
- **Monitoring and analyzing how individual jurisdictions**, in the light of the current lack of agreed international standards to guide coordination, have adopted (or are adopting) unilateral measures;

- Analyzing how the current **international tax rules can be realistically adjusted** in order to face the above-mentioned challenges. Transfer pricing would also assume an important relevance in this regard;
- Addressing the **new challenges and opportunities raised by automation and artificial intelligence** (in particular, the debate surrounding the taxation of robots) to the current tax policy paradigms both on the domestic and on the international plane.
- Analyzing the implications of digital innovation for the **global tax transparency agenda**.
- Finally, the research shall also compare the tax policy challenges raised by the digital economy with those currently emerging **in the field of employment and social security**.

In addressing these issues, the project **will advocate coordinated and multilateral solutions**, with the view to avoiding unilateral responses that may constitute dangerous precedents and result in inconsistent and inadequate outcomes.

Output and timeframe

The results of this research project will consist in a periodical output in terms of articles to be published in leading tax journals. A **dedicated Symposium** presenting the first findings of the research shall be organized **in 2018**. A book consolidating the output of the research shall then be published. To follow up with the progress of the project and organization of the Symposium, please periodically visit our website: www.unil.ch/taxpolicy

Research team and international observatory on the tax implications of the digital economy

The research team shall initially be composed of:

Prof. Dr. Robert Danon, Director of the Tax Policy Center of the University of Lausanne (email: robert.danon@unil.ch)

Prof. Dr. Pasquale Pistone, Academic Chairman of IBFD (email: p.pistone@ibfd.org)

Prof. Dr. Guglielmo Maisto, Professor of Tax Law at Università Cattolica del Sacro Cuore (Piacenza) (email : g.maisto@maisto.it)

Prof. Dr. Bettina Kahil-Wolff, Director of IDAT (Institut du droit des assurances et du travail) (email: bettina.kahil@unil.ch)

Dr. Vikram Chand, post-doctoral researcher in international tax law and transfer pricing at the Tax Policy Center of the University of Lausanne (email: vikram.chand@unil.ch)

Dr. Alessandro Turina, post-doctoral researcher in international and European tax law at the Tax Policy Center of the University of Lausanne and at IBFD (email: alessandro.turina@unil.ch)

Ms Lisa Spinosa, research associate at the Tax Policy Center of the University of Lausanne (email: lisa.spinosa@unil.ch)

Additional experts will also join the project with the view of **setting up an international observatory on the tax implications of the digital economy**.

