

Teknologiateollisuus

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2nd Borderless Real-Time Economy (RTE) Round Table

Taxation in RTE

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Taxation and RTE - examples

1) **Taxation procedures:**

- Blockchain: “transparent and unalterable record of transactions between parties that may no fully trust on another.” -> particularly suitable for taxation purposes
- Automation of tax returns and payments
- Smart contracts: automatic tax payment and reporting to the tax authorities
 - split payments (VAT)

2) **Payroll taxation:** change from employees to entrepreneurs

- Automatic and real time payroll taxation and social security benefits
- Micropayments

3) Simplifying **transfer pricing** procedures and documentation.

4) **Withholding taxation:** automatic tax payment and reporting to the tax authorities

5) E.g. public land registry enables automatic sales, reporting and tax decisions.



How to promote a well functioning DSM?

- The Commission proposes Digitax directives

The Commission has proposed two directive proposals:

- 1) A 3 % tax from the revenue of the company (turnover requirement >750 million €):
 - Advertising income; making available to users of a multi-sided digital interface, where users interact with each other (i.e. AirBnB and Über); transmission of user data.
- 2) A digital permanent establishment is triggered for (significant) digital presence. The limits are turnover of 7 million € OR 100.000 users OR 3.000 business users.
 - Covers basically all digital economy.
 - Drastic changes to profit allocation. Customer data given significant value -> taxable income allocated to big member countries, not small export countries. Value of IT, R&D etc. lower.

Introducing totally new and different tax rules aimed at digital economy: not fair taxation, does not support competitiveness and growth in DSM, is not sustainable nor prevent tax avoidance and does not result on effective, efficient taxation or tax certainty.



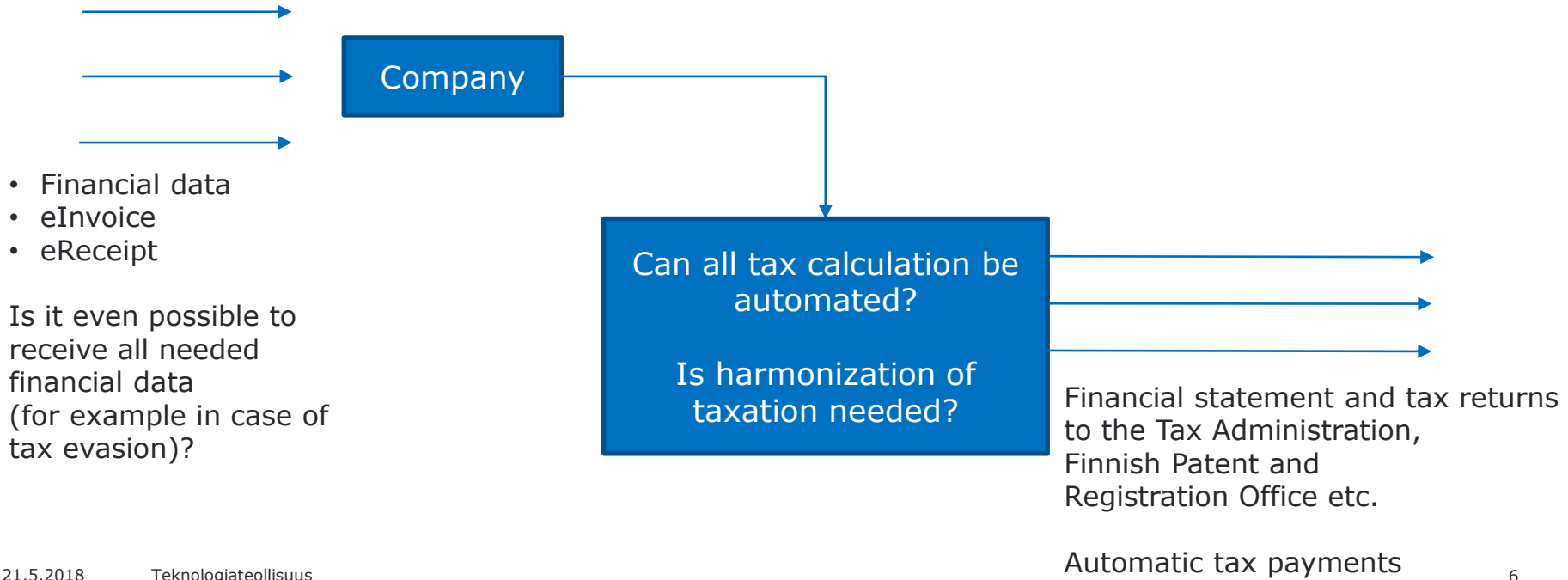
How to promote a well functioning DSM?

-Digitalizing, automation and real time taxation

- Digitalization and automation of taxation procedures could lead to notable savings both to the tax administrations and the companies, as well as minimize the tax gap and tax fraud, disincentivizing tax evasion.
- The Finnish Tax Administration combined all 70 taxation softwares and processes into one system. Savings for the Tax Administration alone are estimated to be 6,5 % decrease in the total annual costs.
- Tax administration's investments in software robots (estimated savings of 1,3 % of total annual costs) and AI.
- Savings to companies due to the decrease in compliance costs, interest expenses and tax disputes cannot be estimated yet.



Automated, real-time corporate income taxation





Taxation and RTE - benefits

- Possibility of notable savings in compliance costs, both for the companies and tax administrations
- Reduce risk and costs of non-compliance
- Companies can concentrate in business -> productivity
- Reducing need for accounting services. On the other hand making accounting services available also for SMEs, due to reduction in manual labour and lower prices?
- Effective and efficient taxation, tax certainty
- Reducing tax gap and tax fraud, disincentivizing tax evasion
- No need for unpredictable and costly digitax?
- Lower tax rate?