

TAX INSIGHT



AUSTRALIA TAKES THE NEXT STEP TO TAXING THE DIGITAL ECONOMY

The following questions have been raised for consultation in the discussion paper:

- 1. Is user participation appropriately recognised by the current international corporate tax system?** If not, how should value created by users be quantified and how should it be taxed?
- 2. Is the value of intangible assets including 'marketing intangibles' appropriately recognised by the current international corporate tax system?** If not, how should value associated with intangibles be quantified and how should it be taxed?
- 3. Are the current profit attribution rules 'fit for purpose'?** If not, how should profits be attributed?
- 4. What are your views on allocating taxing rights over residual profits associated with:**
 - User contribution to 'user' countries, or
 - 'Marketing intangibles' to market countries?
- 5. Should existing nexus rules for determining which countries have the right to tax foreign resident companies be changed?** If so, how?
- 6. From a tax perspective, do you consider that the digitalised economy is distinguishable from the traditional economy?** If yes, are there economic features of the digitalised economy that present special challenges in the context of taxation? How are these features relevant for assessing the costs and benefits of various models of taxation?
- Can and should any changes to the international nexus and profit attribution rules be ring-fenced to apply only to highly digitalised businesses? **If so, how?**
- 8. Are there changes other than to nexus and profit attribution rules that should be made to the existing international corporate tax framework and/or Australia's tax mix to address the challenges presented by globalisation and digitalisation?**
- 9. What does the experience of other countries that have introduced interim measures or that are contemplating them mean for Australia?**
- Should Australia pursue interim options ahead of an OECD-led, consensus-based solution to address **the impacts of the digitalisation of the economy on the international tax system?**
- 11. What indicators could be used to identify businesses that benefit most from user-created value?** Would an interim measure applied to digital advertising and/or intermediation services accurately target that value? How broadly or narrowly should 'digital advertising' and 'intermediation services' be defined?
- 12. The choice of 'nexus' for an interim measure (or a longer-term 'virtual' permanent establishment proposal) involves significant trade-offs between ease of administration and the risk of avoidance. Which nexus option strikes the best balance between these considerations?**
- 13. What are your views on thresholds for an interim measure, taking into account the need to meet Australia's international trade obligations?**

For further information, please contact:

RSM will be working on a submission to the Consultation, and if any clients wish to contribute, please contact your RSM tax contact.