Taxation of the Digital Economy in Asia and the Pacific
- latest options and policy considerations

Virtual event
25 October 2022, 09:30-13:00 Bangkok time

Concept Note and programme
(as of 08 September 2022)

Description

The emergence of the digital economy poses an unprecedented challenge to traditional tax systems both domestically and internationally and has shaken some of the long-held tax principles to the core. The new business models of digitalization, ranging from web-based services and sales to remote employment and professional services, have allowed companies to be economically active in a jurisdiction without maintaining any physical presence. Such separation of economic activities from physical presence renders “permanent establishment”, the old basis for assigning taxing rights, obsolete and leaves growing shares of the economy untaxed or undertaxed under the current tax regime.

The international community has made encouraging progress in taxing the digital economy in recent years. At the national level, pioneering countries, including those in Asia and the Pacific, have introduced new policies to capture the tax base of the digitalized economy effectively, while more are exploring different potential options. At the global level, different approaches for reforms in international taxation norms and practices have been tabled, most notably the release of the Two-Pillar solution of the OECD-G20-led Inclusive Framework and the new Article 12B of the United Nations Model Double Taxation Convention in 2021.

However, significant gaps remain. On the one hand, smaller and poorer developing countries are still marginalized in international taxation reforms led by larger and richer countries. For example, none of Asia-Pacific’s least developed countries is a member of the OECD-G20-led Inclusive Framework and the Two-Pillar solution is often criticized of focusing more on concerns of advanced countries and being too complex for adoption by developing countries. While the negotiations on Article 12B of the United Nations Model Convention has been more inclusive and took greater consideration of developing countries’ needs and constraints, it is still at an early stage of building up the momentum. On the other hand, developing countries in Asia and the Pacific still lack effective but easy-to-use tax options for tapping into the digital economy revenue base, despite the growing fiscal pressure to support a robust economic recovery in the short term and the effective pursuit of the SDGs in the longer run and despite an acceleration in economic digitalization driven by the COVID pandemic.

Better informing Asia-Pacific developing countries, especially those currently marginalized in key international norm-setting agendas, of the latest policy options for taxing the digital economy and the pros and cons of different approaches, and better supporting them in the ongoing international tax cooperation would thus be important.
Objective

The workshop serves to better inform governments of Asia-Pacific developing countries in their exploration of policy options for effectively taxing the digital economy, with an ultimate objective to strengthen public revenue mobilization for sustainable development.

More specifically, it aims to:

- Introduce the latest changes in the UN Model Convention relating to the tax treatment of the digital economy and provide an overview on the pros and cons of different approaches in the local context of Asia-Pacific developing countries.
- Share the knowledge on easy-to-use options for taxing the digital economy and facilitate peer learning on real world practices and lessons.
- Solicit opinions and feedbacks from Asia-Pacific developing countries to better inform United Nation’s future support to countries on this front.

Format and target participants

The workshop will bring together policy makers with first-hand policy experience on taxing the digital economy, as well as experts from the United Nations, specialized organizations, academia, and the private sector to share the latest knowledge on options for tapping into the tax base of the digital economy with the participants.

Target participants include tax officials and experts responsible for policy making on tax treatment of the digital economy or policy makers responsible for public resource mobilization in general.

The workshop will be held online and will be open to all policy makers or experts nominated by ESCAP member States. Registration at [https://forms.office.com/r/J4fRGQ2NeQ](https://forms.office.com/r/J4fRGQ2NeQ) will be required.

Tentative programme

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<td>09:30 ~ 09:40</td>
<td>Welcome remarks</td>
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| 09:40 ~ 10:55   | **Session 1: Different approaches for international taxation norms on taxing the digital economy**  
|                 | • Presentation by UNDESA on Article 12B of the UN Model Convention  
|                 | • Presentation by expert on pros and cons of the existing approaches  
|                 | • Presentation by one Asia-Pacific UN tax Committee member on national experience with the different approaches  
<p>|                 | • Q&amp;A                                                                     |
| 10:55 ~ 11:10   | Coffee break                                                             |</p>
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| 11:10 ~ 12:25 | **Session 2: Options for developing countries in taxing the digital economy: practices and lessons**  
• Presentation by expert on the global experience in taxing the digital economy (EU, IBFD)  
• Presentations by national experts on local experience (India, Turkey, Indonesia, China)  
• Q&A |
| 12:25 ~ 12:55 | **Session 3: Future support by the United Nations to Asia-Pacific member States in taxing the digital economy**  
• Feedback and questions by participants  
• Feedbacks and comments by participating stakeholders |
| 12:55 ~ 13:00  | **Closing remarks**                                                      |