



Digital Economy

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Shifting Environment

- It's a challenge for tax administrations to keep up with the fast pace of change
- The fiscal legislative framework in most modern countries was not written with this kind of environment in mind
- Dedicating research resources and hiring the right skillset is key to managing this risk

Common Risks

- E-Commerce
 - Issues with physical location paramount
- Digital currency
 - Is crypto-currency money or capital?
 - Anonymous nature makes it very challenging
- Sharing Economy
 - Ride sharing, accommodation – three parties to the transaction – how to tax the facilitator of the transaction
 - Some sharing economy is for greater societal good – be careful compliance approach doesn't negatively impact non-profit related activities

Approach

- Like any other compliance problem, you need to:
- Gain access to data to understand the risks
- Determine the extent of the problem
- Develop a treatment strategy

It could look like this....

- Education of consumers so they know what the tax implications are for the parties to the transaction
- Work with platforms to educate their members –
 - ex. Accommodation/ride sharing platform would educate members on taxability of transactions, in consultation with tax authority
- Access data from the payments systems
 - “follow the money”
 - Risk assess based on value of transactions
 - Conduct compliance actions
- Educate tax administration staff to efficiently address non-compliance
- Consider amendments to legislation