UNIVERSITÄT LIECHTENSTEIN

Facing International Tax Challenges arising from Digitalisation

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Research Objectives

- Systematic and detailed analysis of unilateral measures to tax digitalised business models (B2B/B2C)
- Systematic and detailed analysis of International Tax Standards developed by the G20/OECD and the European Union (EU) on addressing the tax challenges arising from digitalisation
- Position of Liechtenstein

Research Questions

- Types of national measures to tax digitalised business models implemented in jurisdictions (e.g. AT, ES, FR, IT, UK)
- International Tax Standards that are discussed by the G20/OECD and the EU
- Provisions of how to tax the digital economy in Liechtenstein: Status quo
- How could Liechtenstein adapt it's tax system to implement currently discussed International Tax Standards
- Impact on the Liechtenstein tax location

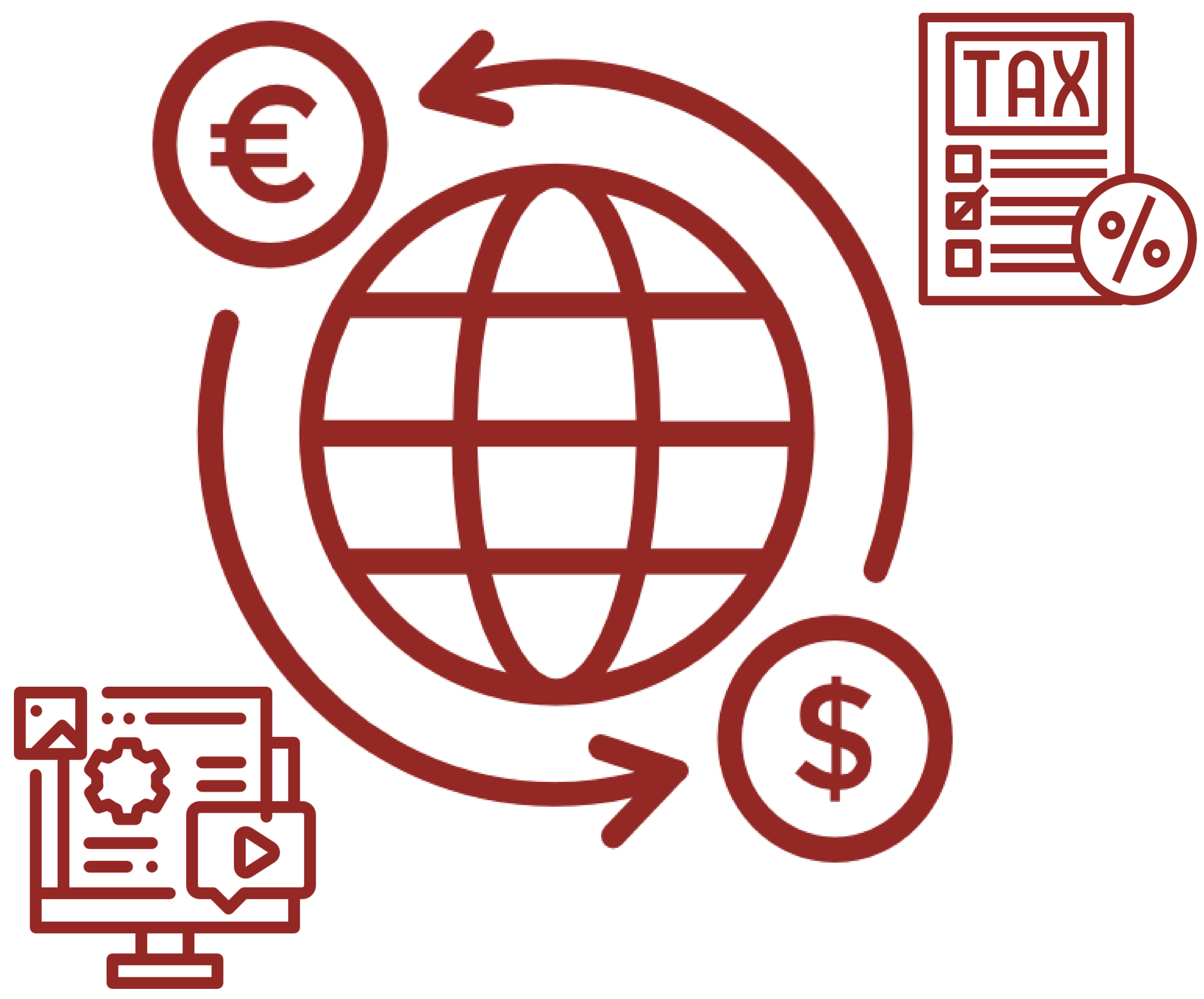
Status Quo | Proposals

- **Unilateral measures**
  Unilateral digital services taxes (DST) providing for a destination based taxation of profits, e.g. the diverted profits tax in the UK
- **International Tax Standards | Proposals**
  User participation (UK) | marketing intangibles (US) | significant economic presence (OECD, EU)
- **European Tax Standards | Proposals**
  Short-term solution: proposal for an EU-Council Directive on a common system of digital taxation of income from the supply of digital services | Long-term solution: digital permanent establishment

Research Outcome

3
EU Member States proposed a digital services tax

2
EU Member States intentions for a digital services tax



5
EU Member States with a digital services tax

New developments

Position of Liechtenstein

Measures that already exist

- Concept of physical presence as a nexus for taxation
- Concept of an artificial presence has not been implemented in contrast e.g. to Italy
- No particular provisions implemented to specifically tax the rendering of digital services in Liechtenstein, particularly because of the small market size which would lead to only a marginal tax revenue

Impact

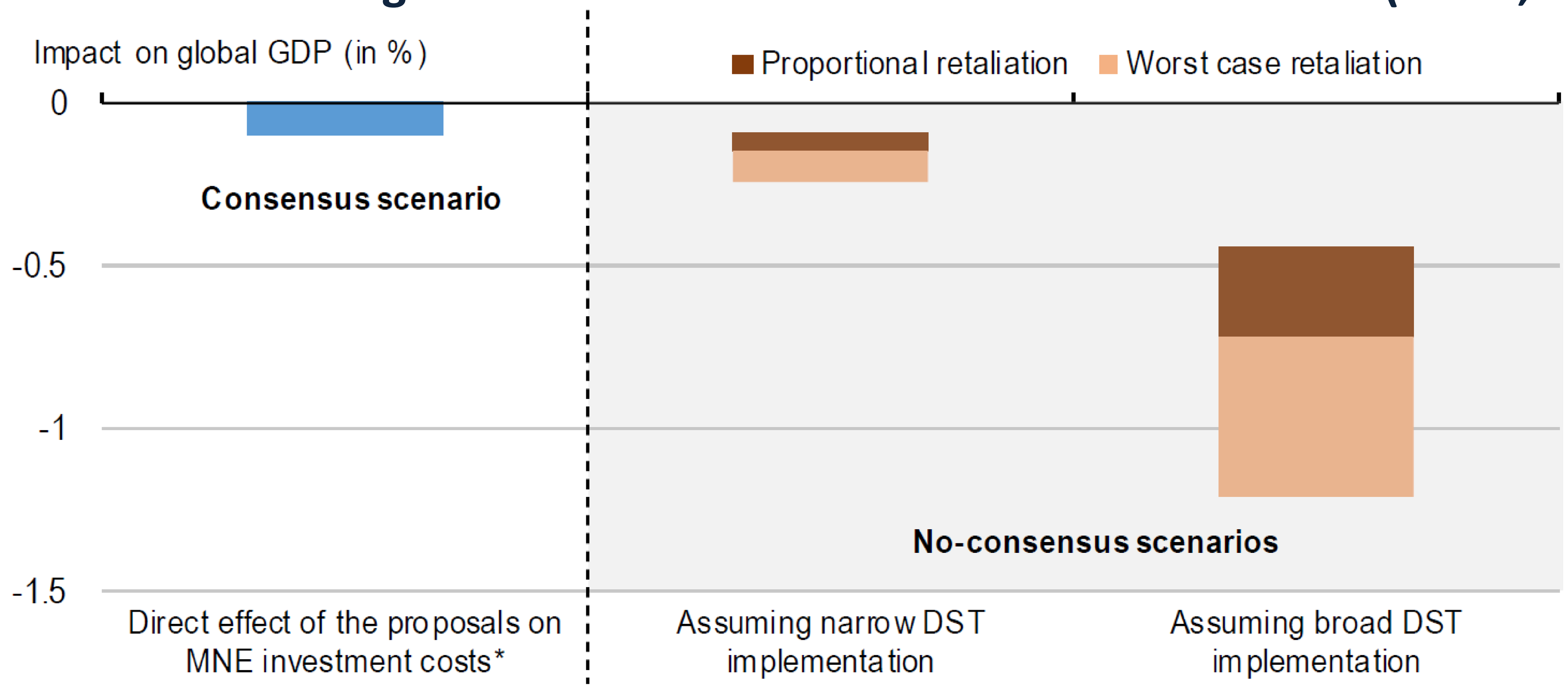
Measures to be implemented

- Synchronisation of Liechtenstein tax law
- Change in international allocation rules in order to prevent double taxation as well as double non-taxation
- Enhanced development of Liechtenstein as an attractive, modern and innovative tax system and tax location but to prevent being regarded as a future tax haven for digitalised businesses
- Liechtenstein committed to fully comply with International and European Tax Standards, the prevention of double taxation and double non-taxation as well as appropriate tax transparency standards in order to also be in the position to conclude further Double Tax Conventions

Outlook

- Two new G20/OECD Proposals to address the tax challenges arising from digitalisation
- Pillar One: Global reallocation of taxing rights of digitalised Multinational Enterprises (B2C)
- Pillar Two: Global minimum taxation (GloBE)

Estimated effect on global GDP: Pillar One vs. Unilateral Measures (OECD, 2020)



Pillar One: Reform of existing national and international rules

G20/OECD: Unified Approach
New Nexus Rules | Profit Allocation Rules
○ Amount A
○ Amount B
Elimination of Double Taxation
Dispute Prevention
Conflict Resolution

Consumer-facing Businesses (B2C)

G20/OECD: Pillar 1 of a Two-Pillar Approach for a New World Tax Order

Forschungsförderungsfonds