

**Note on the discussion of the “Tax consequences of the digitalized economy — issues of relevance for developing countries” during the sixteenth session of the UN Committee of Experts on International Cooperation in Tax Matters (14-17 May 2018)**

At its sixteenth session held on 14-17 May 2018, the Committee of Experts on International Cooperation in Tax Matters continued the discussion, initiated at its previous session, of the tax consequences of the digitalized economy – issues of relevance for developing countries.

The topic was introduced by the co-coordinators of the Subcommittee on tax issues related to the digitalization of the economy who explained that given the important recent developments on the issue of taxation and the digitalized economy, in particular at the OECD and at the European Union, the Subcommittee had not yet started working on the issues identified in its mandate. The co-coordinators added that they had decided that non-members would be allowed to join the Subcommittee and explained the next steps to be taken in order to finalize the composition of the Subcommittee and produce a paper that would be discussed at the next session of the Committee.

The subsequent discussion focussed primarily on process issues, namely

- whether and how the Subcommittee should address the issues related to use of digital technologies by tax administrations in addition to addressing issues related to the allocation of taxing rights, which many members considered to be the main topic to be addressed by the Subcommittee, and
- how the work should be coordinated with work in other fora, in particular the OECD, keeping in mind that the main focus of the Committee should be to address issues of relevance for developing countries.

On the first issue, it was decided that the use of digital technologies by tax administrations was an important topic that should remain on the Committee’s work programme but that this topic would not be addressed by the Subcommittee on tax issues related to the digitalization of the economy whose mandate would be amended accordingly.

On the second issue, it was emphasized that since the Committee’s work in the area of taxation and the digitalized economy was focusing on the interests of developing countries, there was no need to wait for the final conclusions of the work undertaken at the OECD before moving ahead with work in that area. It was recognized, however, that the Subcommittee could usefully draw upon various aspects of the work already done by the OECD; for instance, the description of the new business models included in the OECD interim report provided a useful factual description of the context in which issues related to the allocation of taxing rights, which were a main concern for developing countries, arose.

Later during the meeting, one of the co-coordinators of the Subcommittee on tax issues related to the digitalization of the economy gave a presentation on the recent developments that had been previously referred to, focusing primarily on the OECD interim report on the *Tax Challenges Arising from the Digitalisation* as well as on the European Commission proposal for a *Council Directive Laying Down Rules Relating to the Corporate Taxation of a Significant Digital Presence*, which intends to provide a long-term solution to the allocation of taxing rights issues arising from the digitalization of the economy, and proposal for a *Council Directive on the Common System of a Digital Services Tax on Revenues Resulting from the Provision of Certain Digital Services*, which constitutes an example of “interim measure” that could be implemented before a long-term solution is adopted. One issue that was addressed

during the subsequent discussion was the extent to which tax treaties could prevent the application of certain types of taxes that would constitute such “interim measures”.

In addition to the discussions during the Committee’s sixteenth session, there was a side-event on 16 May during which business representatives gave an overview of the new business models made possible by digital technologies.