



# Digital services tax

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# Introductions



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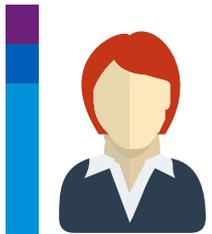


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# Digital services tax

## Agenda



01

What is happening in the UK?

02

What is happening globally?

03

Discussion

# Digital services tax

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# Key UK developments

## April 2015

Unilateral Diverted Profits Tax ('DPT') comes into effect

## November 2017

HM Treasury publishes a position paper on Corporate Tax and the Digital Economy (v 1.0).

## March 2018

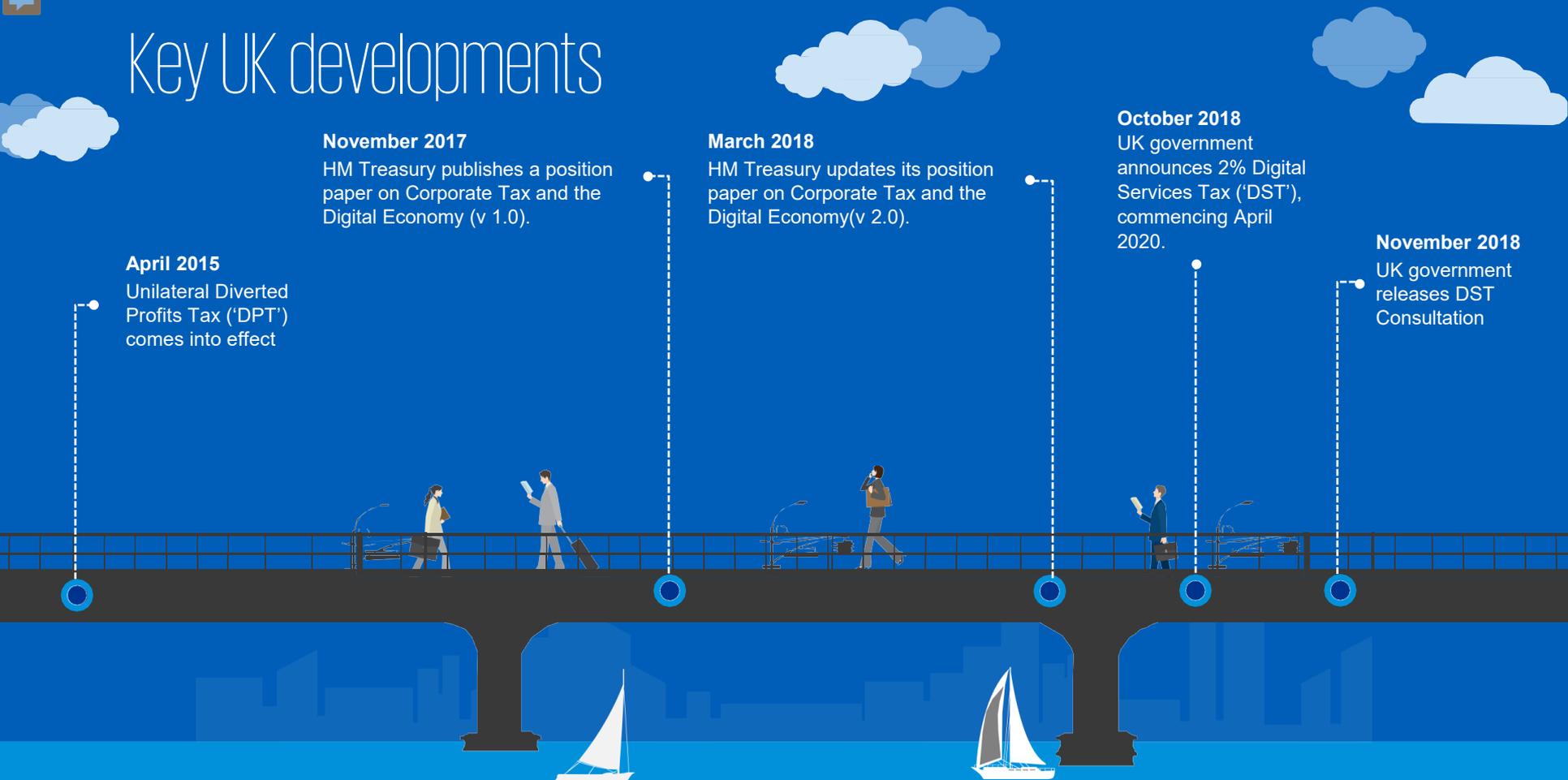
HM Treasury updates its position paper on Corporate Tax and the Digital Economy (v 2.0).

## October 2018

UK government announces 2% Digital Services Tax ('DST'), commencing April 2020.

## November 2018

UK government releases DST Consultation



# DST - key details



2% on in-scope revenues, targeted at revenue streams **linked to UK** users derived from **in-scope business models** (see next slide)



Consultation paper published yesterday



Deductible, but not creditable



**Safeguards:**



— Double threshold



— Safe harbours



— Review clause



— Other aspects

# What is in scope?



## Only applies to businesses that meet a double threshold



Minimum global turnover of £500 million from in-scope business models



At least £25 million of revenue from in-scope business models linked to UK users

## In-scope business models



Search engines



Social media platforms



Online marketplaces

# What is explicitly out of scope?



Financial and payment services



Provision of online content



Sales of software and hardware



Television and broadcasting services



Online sales of goods

# Will I be affected?



Review websites with strong search functionality



Content providers with strong search functionality



Marketplace aggregators



Free, multi-sided platforms



Digital foreign exchange platforms



Video search engines



Paid social networks



Blogging platforms



Instant messaging

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# Other unilateral measures



# United States



# Digital services tax

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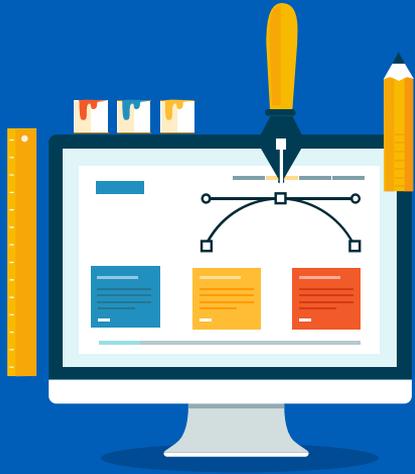
02

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# DST discussion questions



What is the policy rationale for taxing some business models and not others?  
How do we segment?



Is the DST within the scope of the UK's double tax treaties? Does it constitute discrimination under the GATS?



Who is a 'UK user'? What is the relevant nexus to the UK?



Who is the 'end user' in a multi-sided platform? Must both 'end users' be 'UK users'?

# Further discussion



Unilateralism vs. multilateralism



Practicalities of assessment, collection and policing



Ring-fencing digital economy vs. revisiting entire international tax framework



Longevity of arm's length principle



Next steps: UK, European Commission, OECD



Any questions?





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