UQ Centre for Policy Futures

POLICY TAKEAWAYS

The University of Queensland
AUSTRALIA
CREATE CHANGE

DAY 1, SESSION 2.1: BIG TECH AND PLATFORM REGULATION

Regulation and Equalisation in the Digital Economy

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The rise of Big Tech platform companies, e.g., Apple, Microsoft, Google, Amazon, Facebook, Baidu and Tencent has supported massive growth in online commerce. World leaders at the G20 meeting in 2012 expressed concerns that Big Tech companies were shifting profits in order to evade taxation. In 2013, the OECD proposed a plan to establish a multilateral global taxation regime which has evolved into a "two-pillar package" that aims to ensure "Multinational Enterprises" (MNEs) pay a tax "where they operate and earn profits." While this new scheme will be launched in 2023, the Indian government enacted the Equalization Levy in 2016. The Levy sets out the national approach to taxing Big Tech and digital transactions.

Image: Smartworks / Unsplash

Key Takeaways

1 OECD policies regarding the regulation of Big Tech and online transactions face many socio-political challenges if they are to enable a fair digital economy

There are numerous issues that the international regulation of digital transactions and Big Tech activity attempts to resolve. These range from ensuring anti-competition safeguards, to promoting free speech, to refraining from censorship, through to protecting national security and upholding the rule of law. Countries are slowly implementing various OECD propositions domestically, with data privacy protections one of the best examples where there has been broad roll out.

2 Different approaches to valuing digital transactions as the basis for creating a fair taxation regime

The primary regulatory question regarding the taxation of digital transactions has been how to match income taxation with value creation. The OECD has primarily considered three approaches, which may include the taxation of users' income created through data and brand value, or the value created through trade and exploitation of the data, as well as the taxation of economic presence of firms located in jurisdictions other than where they operations are situated. However, Pradip says that understanding "incremental value" and "aggregated value" remains a challenge.

3 The Equalization Levy and the pitfalls of the regulatory environment in India

The Equalization Levy (EL) has raised questions of fairness and discrimination since it only applies only to international companies (those not based in India). The EL began by introducing a tax on advertising revenues and, in 2020, expanded its scope by assessing a 2% levy on all externally owned companies, with annual revenues of US$275.404. There are still numerous questions pertaining to the EL that require clarification, including; vague concepts and definitions in the legislation, the potential that the Levy may be used for censorship, and the risk for double taxation.

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