

**IDIOT OUTSIDE**

# TAXATION OF E COMMERCERCE AND CLOUD COMPUTING

**Foundation for International Taxation**

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# Transactions over the internet

- Characterisation of an e-commerce transaction and its taxability pose a challenge for the stakeholders.
- E-commerce involves transactions over the Internet – generally without need for human interface – such as e-advertising, e-sales, e-delivery and so on.
- In India, e-commerce has grown from \$2.5 billion in 2009 to \$14 billion in 2012 (*Source: indiaadvisoryboard.com*).
- The exponential growth has intensified discussions on the taxability of such transactions, especially as this remains under a cloud where every country intends to implement a combination of source- and residence-based taxation.



# Transactions over the internet

- The Technical Advisory Group set up by the Organisation for Economic Cooperation and Development (OECD) in 1999 to examine the applicability of business profit rules in e-commerce and propose alternative rules, had concluded that e-commerce and other business models resulting from new technologies **did not justify significant departure from existing rules.**
- The high-power committee constituted by the Indian Government to examine the taxability of e-commerce opined that **a differential tax treatment would offer an easy tax-avoidance mechanism.**



# Transactions over the internet

- Although taxability of e-commerce remains a vexed issue, the OECD Commentary on Model Convention provides reasonable guidelines on the concept of Permanent Establishment (PE) in this context.

## **Web site not a PE**

It fails the traditional 'place of business' test. Web site is a combination of software and electronic data not constituting a tangible property. In the absence of any location constituting 'place of business' — such as premises or machinery or equipment, namely, server — a Web site *per se* cannot qualify as a PE.

## **Server may constitute a PE**

As an equipment with physical location, server may constitute a PE of the operating enterprise.



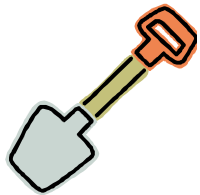
# OECD – UN Views

- New Committee of OECD is examining the issues again - under BEPS initiative - Action Item # 1
- [Draft report released March 2014](#), and comments invited
- Final Report expected in September, 2014
- Industry feedback received in Dec 2013
- UN to examine matter after OECD report is out - perhaps to be discussed in October 2014 meeting ??
- Till that time, each country will try to have what it thinks is its share in the pie.

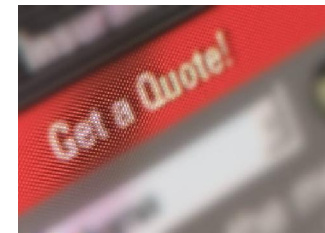


# How to apply existing Rules

## Brick and Mortar Economy

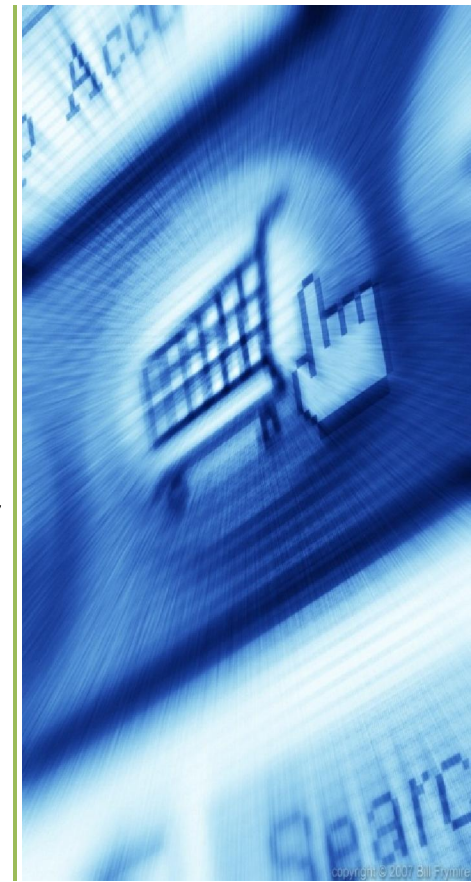


## Click and Order Economy



# E-commerce

Electronic commerce, or e-commerce, has been defined broadly by the OECD Working Party on Indicators for the Information Society as “the sale or purchase of goods or services, conducted over computer networks by methods specifically designed for the purpose of receiving or placing of orders. The goods and services are ordered by those methods, but the payment and the ultimate delivery of the good service do not necessarily have to be conducted online.





# E-commerce / Digital Economy

Digital Economy is much more than E Commerce

Retail

Transport / Logistics

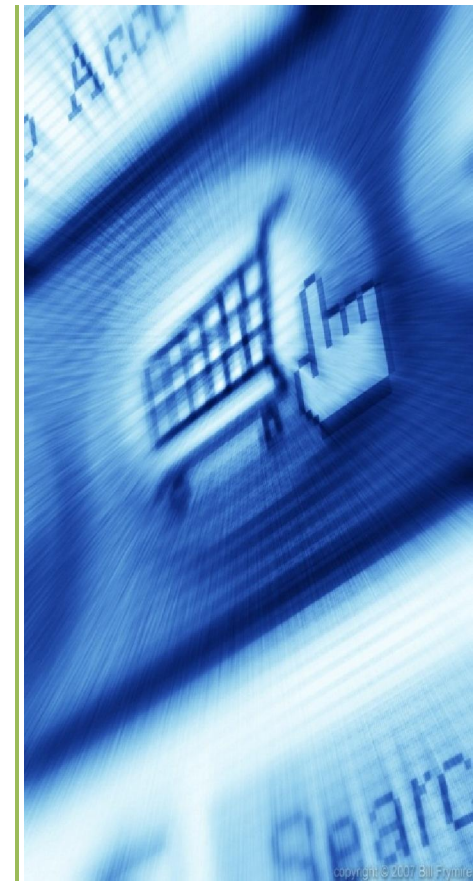
Financial Services

Manufacturing / Agriculture though advanced robotics

Education

Healthcare

Broadcasting and Media





# E-commerce and Treaties

Income taxation a concern for all countries

Old concepts of taxation may no longer be relevant particularly under the treaties

Lot more than mere selling through the internet

Characterization of payments a vexed issue

Server/ website - a fixed place of business

UN/OECD/India/ other countries and courts have expressed their views on e-commerce taxation

No solution found for source taxation



# Manufacturer selling through the internet (1/2)

F co (foreign company) advertises on Internet

I co (domestic company) places order on website of F co

Goods delivered FOB to I co

## Discussion points on :

1. Website on server outside India;
2. Website on server located in India operated by ISP;
3. Website on server at disposal of F co



# Manufacturer selling through the internet (2/2)

F co sells online products direct to I co

Payment by credit card to F co

F co instructs agent in India to deliver product

Agent stores goods in India

on behalf of F co



# Selling intangibles through the internet

Sale of intangibles - know-how, copyrights, trademarks etc.

Electronic ordering and downloading of F co's digital products

Updates and add-ons

Limited duration software and other digital information licenses

Royalty or Business profits?



# Retail distribution through the internet

ACO is a company resident of State R

ACO is an on-line worldwide distributor of tangible goods (mostly books) as well as digital products such as e-books, music and software

ACO acquires non-exclusive distribution rights for e-books, music and software from copyright holders in several countries

It sells products to consumers through its well-known web site

ACO's web site, much like a catalogue, displays the entire range of the products offered by ACO and allows visitors to acquire these products on-line

Tangible products are delivered through independent courier services whereas digital products are downloaded from ACO's web site to the consumer's computer, once the payment is confirmed

# Retail distribution through the internet

(c) (i)

ACO's mirror web sites are hosted on a number of servers located worldwide

In large markets, ACO's preferred approach is to use dedicated servers located in the country; such servers are located in a "server farm" owned by independent companies

Changes/updates to the software and data stored on the servers are done from State R by ACO's employees

BCO is a wholly-owned subsidiary of ACO that is resident of State S

It owns and operates a warehouse where the tangible products sold by ACO are stored & from which they are delivered by independent courier services

BCO does not interact with customers of ACO

BCO is remunerated on a cost-plus basis

All e-mails and telephone requests to ACO (usually concerning technical problems with the web site or products sold) are handled through a call centre located in State R

# Issues for discussion



Is there a permanent establishment of ACO in State S?

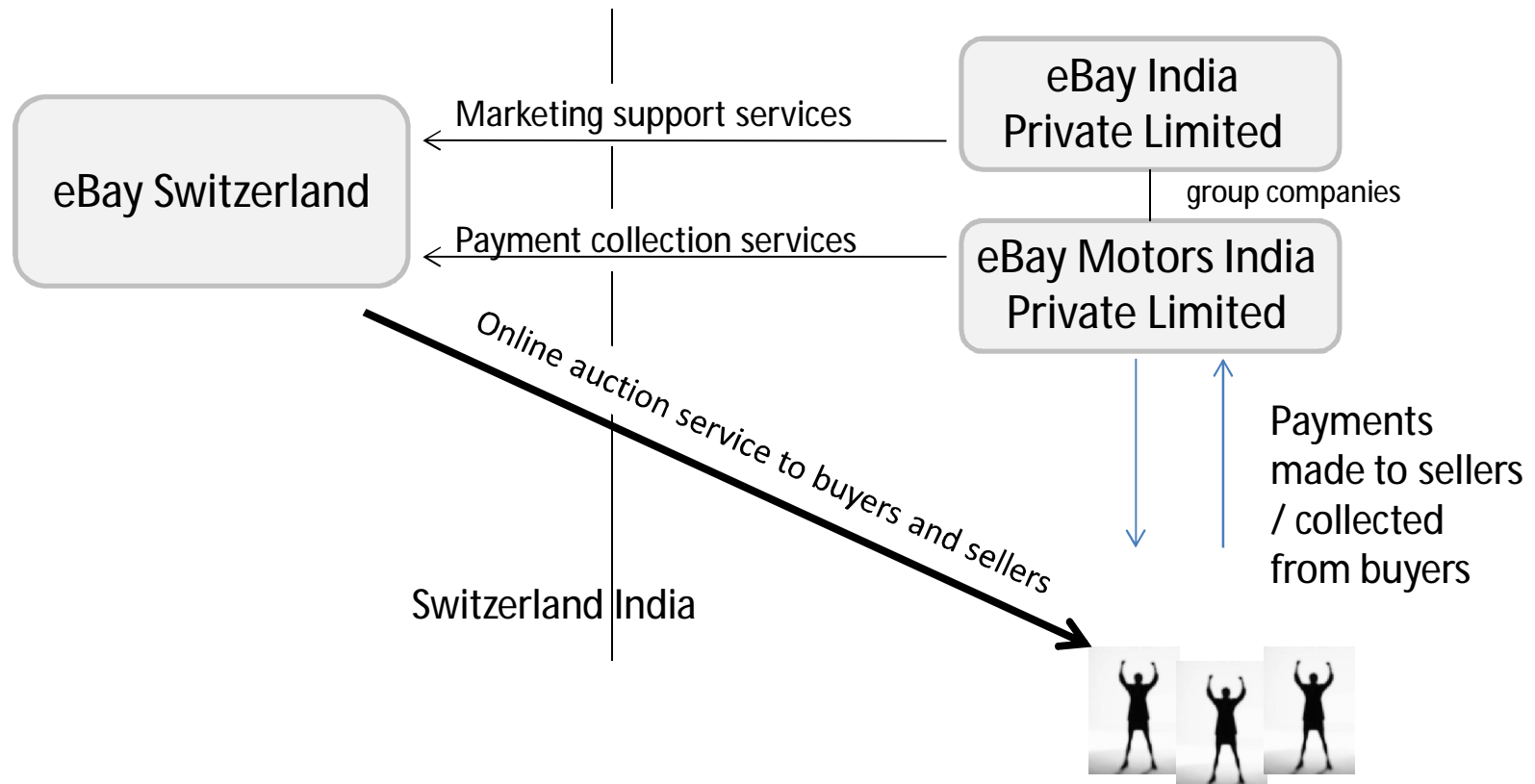
Are there royalties paid to ACO from State S?

Are there services furnished in State S by ACO?

What are the policy implications of the answers to the previous questions?



# Facts – eBay case – ITAT Mum



# Facts

- eBay Switzerland filed income-tax return in India declaring 'nil' income
- eBay Switzerland operated India specific websites providing an online platform for facilitating purchase and sale of goods and services to users based in India
- eBay Switzerland entered into a Marketing Support Agreement with eBay India Private Limited (eBay India) and eBay Motors India Private Limited (eBay Motors)
- eBay India was remunerated on a cost plus basis by CH

# Issues

1. Whether amount paid by sellers to eBay Switzerland through eBay India from operations of its auction websites in India Fees for Technical Services?
2. Whether eBay India / eBay Motors treated as Dependent Agent PE of eBay in India?

# Tribunal's ruling

- **Fees for Technical Services?**

- Definition of Fees for Technical Services under domestic law and treaty law
- By providing a **platform for doing business**, eBay Switzerland cannot be considered having rendered any managerial services
- eBay Switzerland has not rendered any technical services

# Tribunal's ruling

- eBay Switzerland does not provide technical services or other personnel in entire process
- There is no consultancy provided by eBay Switzerland
- Hence, fee received by eBay Switzerland cannot be described as Fees for Technical Services
- Fees 'Business profits'

# Tribunal's ruling

## • eBay India / eBay Motors Dependent Agent Permanent Establishment?

- eBay India involved making awareness in India about websites in collection of payments from Indian sellers
- Business operations are not directly or indirectly controlled by eBay India
- eBay India has no role in directly introducing any specific customer
- Agreements between sellers of products and eBay Switzerland entered online without any involvement of eBay India
- eBay India / eBay Motors are providing exclusive services to eBay Switzerland

# Tribunal's ruling

- eBay India has at no stage negotiated or entered into contract for or on behalf of eBay Switzerland
- Not maintaining a stock of goods for or on behalf of enterprise
- eBay Motors / eBay India are not required to process goods on behalf of eBay Switzerland
- eBay India / eBay Motors did not perform any of functions enumerated in clauses (i) to (iii) of Article 5 (5) of the Indian Swiss Treaty hence they cannot be described as a Dependent Agent PE of eBay Switzerland



# Conclusion of ITAT

- Online platform similar to a market place
- Revenues earned by the eBay Switzerland from sellers do not constitute fees for technical service
- No permanent establishment despite acting as dependent agent
- As such, income of eBay CH held to be not taxable in India

A close-up photograph of a person's hand holding a bright blue rectangular sign. The sign is positioned horizontally and contains white text. The background is plain white.

# **Selling through the Internet -Digital Marketplaces**

# What's in the digital marketplaces?

Apps

Games

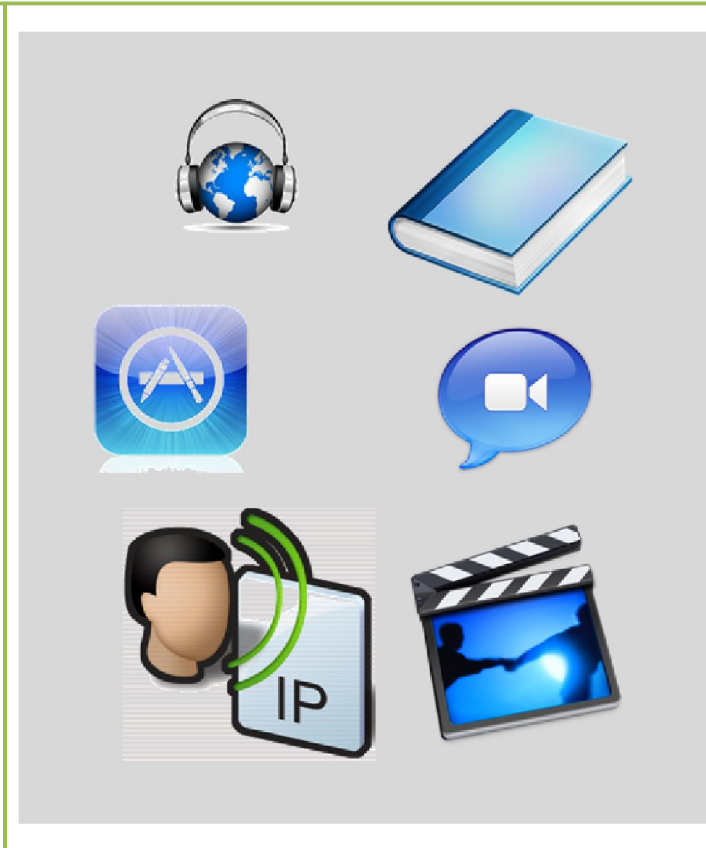
Music

Books

Movies

VOIP

In-app purchases



# Components of digital marketplaces

The Publishers

The Marketplace

Data centers

Intermediaries

Point of Sale



# Characteristics of digital marketplaces

Reseller vs. Agent

Royalties for content

Global revenue sharing models

Sites of transaction

E-payments & virtual currency

Sensitive PII



# Example

X is a resident of the USA, visiting India. Before he left the US, X downloaded an app for Delhi street maps for \$1.99

X has a roaming data connection with AT&T. During his visit, X downloads an app on best places to eat in Delhi, for \$2.99

X has an option to either pay for the app using his credit card on record with the marketplace, or adding the amount to his AT&T billing

Both the apps were published by an Indian developer, based at Bangalore

The developer is entitled to 70% revenue share from global sales of his app on the marketplace. He receives a consolidated payout

The marketplace acts as an agent of the developer, who continues to be liable to pay any taxes applicable on the transaction

# Discussion

Business Income vs Royalty

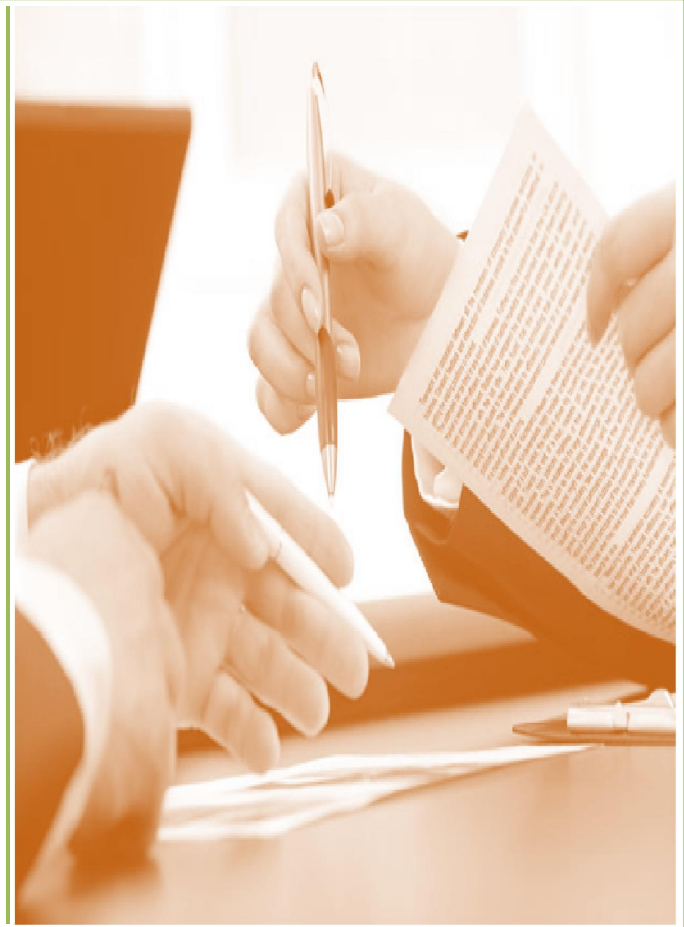
Withholding Tax

Invoices vs payment receipts

Indirect tax compliances

Incidence of PE

Profit Attribution methodology





# Data centers and the cloud

## What constitutes a PE?

Primary data centers

Backup data centers

Intercontinental lease lines

Edge computing

Private Cloud vs Public Cloud vs.  
Hybrid Cloud



A hand is shown from the left, holding a bright blue rectangular sign. The sign is positioned horizontally and contains the text "Advertising on the internet" in white, bold, sans-serif font. The background is plain white.

# Advertising on the internet

# Agenda

Internet advertising - Why and How

Pricing models

Difference with traditional commerce mode

Taxability and its issues

Conclusion



# Internet based advertising

People have increasing access to Internet through home computers and mobile devices

Statistically more time is being spent by consumers on the internet / mobile devices than on TV

Proven benefit of “more eye balls per dollar” on internet than on TV

Internet ad revenues of \$ 37 billion in US alone with additional 40% estimated world-wide. Double digit growth expected (abt 15%) for the next few years

Traditional advertising on TV or banner/ billboards has a local / static audience.. internet advertising has potential global audience and potential tax presence

Blurs geographical boundaries as to “source”, “service” and “attribution”

Recent issues around Amazon, Google and the likes due to this

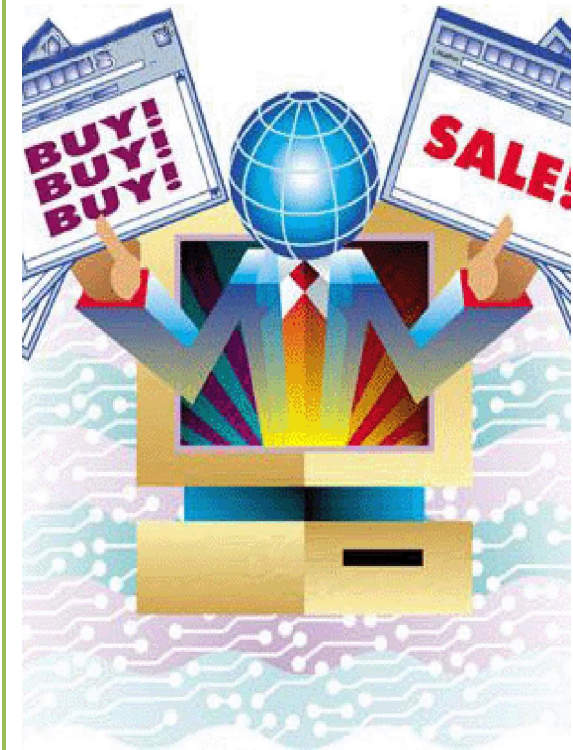
# Leading types of internet advertising

## Search ads -

- Advertisers are to bid for key words
- Depending on the bid value - the ads of the advertisers will be placed at a high or low position in the user search results
- Predominantly used by companies like Google and Yahoo
- Players like Right Media Exchange (similar to BOLT)

## Display ads -

- Usual form of banners that are posted on designated/ agreed websites.
- With agreement with the advertiser, the websites can be local websites or global websites



# Pricing models

## **CPM (Cost per Mille -or cost per thousand views)**

Advertiser pays Google/ Yahoo based on the degree of exposure that user have to the ads

This revenue is shared between Google/ Yahoo with the online publisher (websites) where the website gets paid whenever a user clicks an ad

## **CPC (cost per click)**

Revenue is generated ONLY when the user reacts to an advertisement as opposed to simply viewing it in the earlier model

Small revenue for viewing .. but a significant payment when a product is purchased, registering for a service, through the ad





# Long way to go !





# Difference

**E-commerce - by its nature - still has to overcome the physical barrier**

**Trade in tangible property - payment and processing can happen online. However seller will still have to physically deliver the goods**

**For services - there is still a physical service location.**

**As far as online advertising is concerned...**

The advertiser and service provider (Google) can be based in a given country.. but the users who click on the ads, view the ads, can be based anywhere in the world

Essentially the reason/ cause for the revenue can be overseas, but the financial transaction can be in .. say India??



# Difference

**These characteristics of the transaction undermine the traditional boundaries imposed on taxing commerce where the origination/ destination of tangible goods, place of delivery of service for intangible goods, can be reasonably determined.**

**For transactions such as online advertising..**

The service provider (Google) may provide service in US, the publisher (website) may be registered in Country A, the servers that host the ads may be located in Country B and the users (people who click the ads) maybe in Country C, goods may be manufactured in country D and shipped from country E.

Difficult to determine the source, residence of the tax payer (s), beneficiaries and characterisation of the income.



# Advertising through the Internet (1/3)

HCO, a company resident of State S, operates a number of hardware stores in BIGTOWN, the largest city in State S

In order to better target its advertising, HCO has concluded an agreement with RCO, a resident of a low-tax jurisdiction that is a subsidiary of a large multinational that operates a widely-used internet search engine

The very powerful search engine developed by RCO is offered free-of-charge to individuals and institutional users

Based on the frequency of certain searches and the previous searches made by individual users, RCO is able to offer to companies such as HCO a very well-targeted advertising platform

RCO derives 95% of its revenues from the selling of online advertising



# Advertising through the Internet (2/3)

Through the standard agreement concluded through RCO's web portal, HCO has agreed to pay 0.10 on a "cost-per-click" basis for having its ads displayed on the result pages for a number of key words like "buy tools in BIGTOWN"

HCO therefore agrees to pay that amount each time that an internet user clicks on one of its adds displayed as a result of a search

The auction system used by RCO determines where the ad will appear on the page displaying the results of a search (e.g. if 0.10 is the highest bid received by RCO for having an ad displayed when someone searches "buy tools in BIGTOWN", HCO's add will appear first)



# Advertising through the Internet (3/3)

In 2012, HCO paid 10 000 000 to RCO pursuant to that arrangement

The tax administration of State S has denied the deduction of that amount based on the argument that HCO should have withheld tax on the amount because RCO is taxable in State S either because

RCO has a PE in State S

The payment to RCO is a royalty, or

The payment to RCO is a fee for technical services

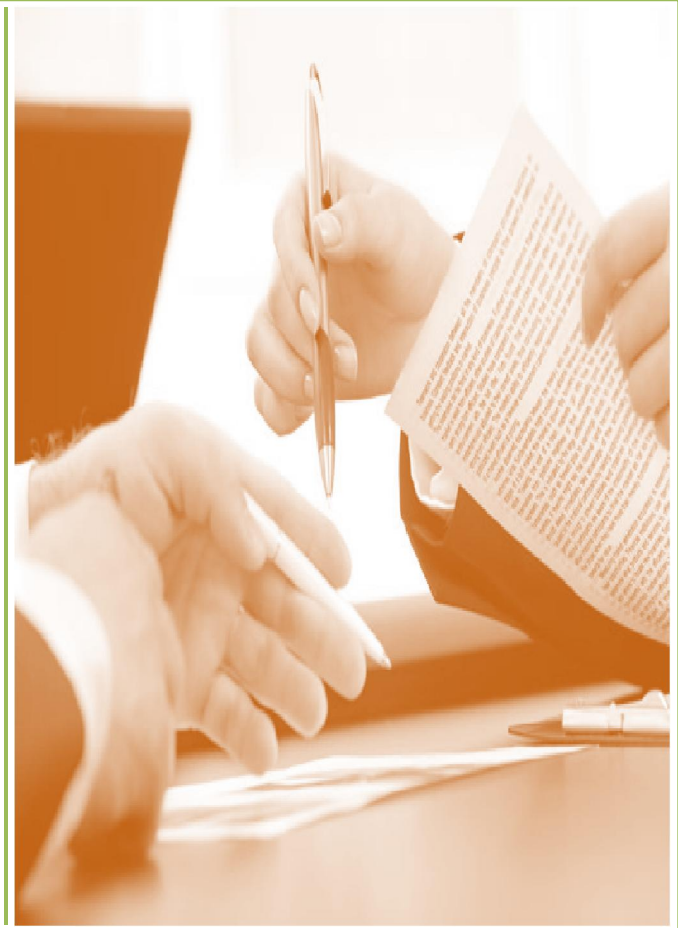
RCO is not entitled to the benefits of the S-R Treaty because it was set up in State R only for tax reasons



# Discussion

See Income-tax Officer v. Right Florists (P.) Ltd. (ITAT Kolkata, 12 April 2013)

Is RCO taxable in State S?



# Yahoo!/ Google Cases – ITAT decisions

- In the Yahoo India ruling, the Mumbai ITAT held that Yahoo India's payment to Yahoo Hong Kong for banner advertisement would not be taxable as royalty, as the service did not involve "use" or "right to use" any industrial, commercial or scientific equipment.
- Following this ruling, the tribunal again held that payment to Google Ireland was not in the nature of royalty or technical service fee (FTS) in the Pinstrom Technologies case.
- In the Right Florist ruling, the Kolkata tribunal held payments to search engines such as Google Ireland and Yahoo USA for online advertisements as not taxable in India either as royalty/ FTS or business profit in the absence of a PE in India. The tribunal emphasised that as the servers of these e-commerce payees were outside India, there was no India PE.
- In contrast, earlier rulings, as in Galileo's case, held that a PE was triggered in India.

# Example: Ad aggregator in CH

- CH CO identifies various sites on which the advertisements / links of I CO can be arranged by them
- I CO approves such sites, and provides the material for advertisement (ad banners) / URLs (links) to CH CO
- CH CO releases such advertisements on the sites as agreed
- CH CO is paid on a “per click” basis, and the number of clicks during a period are aggregated and the payment made by I CO to CH CO.
- The payment made by I CO to CH CO is the complete payment for the transaction, and the payment to the ultimate media / site on which the advertisement /link is arranged is made by CH CO itself, with no further liability on I Co.
- CH CO operates from Switzerland, and is a tax resident of that Country.



# Example: Ad aggregator in CH

- The work of identifying the sites and coordinating with them is done by CH CO from Switzerland.
- The sites where the advertisements / links are arranged are having their servers outside India, and the work is expected to be done by CH CO outside India. They have also confirmed that they do not have any Permanent Establishment in India though which the related work is done.

# Example: Ad aggregator in CH

- Under ITA- Business Profits

The entire services / operations in the instant case are rendered from outside India (i.e. configuring /uploading of the ad banners) and the consideration for the same is also paid outside India.

Thus, no portion of the income can be said to be covered by the section 9(1)(i) of ITA, as it cannot be said that CH Co has a business connection in India, esp. with reference to advertisements displayed on sites which have servers outside India.

Online advertising revenues generated in India are not supported by, serviced by or connected with any entity based in India, and as such, s 9(1)(i) does not have any application (*ITO vs Right Florists Private Limited [TS-137-ITAT-2013][Kol]*).

# Example: Ad aggregator in CH

- Under ITA- Royalties / FTS

Royalties – Decisions like *Asia Satellite Telecommunication Co. Ltd v DIT* 197 Taxman 263 (Del), *et al* held to be not covered. However, post the amendment of 2012, it remains to be seen if such judicial view is available or not.

FTS - *DCIT v Parasrampuriah Synthetics Ltd* [2008] 20 SOT 248 (Del)], *Tata Consultancy Services v State of Andhra Pradesh* 271 TIR 401 (SC), *Skycell Communications Ltd v DCIT* (2001) 251 ITR 53, *CIT v Estel Communications (P) Ltd* 217 CTR 102 (Del), *Pacific Internet (India) Pvt Ltd v ITO* 318 ITR (AT) 179 (Mum), *Kotak Securities Ltd v DCIT* [2012] 50 SOT 158 (Mum)

# Example : Ad aggregator

Under DTAA –

- Royalties – *The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of a literary, artistic, or scientific work, including cinematograph films or work on film, tape or other means of reproduction for use in connection with radio or television broadcasting, any patent trademark, design or model, plan, secret formula or process, or for the use of, or the right to use, any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.*
  - Extended meaning given to the said words contained in Explanation 4 and 5 of section 9(1) (vi) are conspicuous by their absence
  - WNS North America Inc vs. ADIT, and also ITAT benches in the cases of Nokia Networks OY 78 DTR 41 (Del), B4U International 74 DTR 162 (Mum) – Extended definitions not to apply to treaties
- FTS – *NA.*
- Business Profits – NA as no PE
  - If server in India???

# Conclusion

Traditional source/ PE rules may not be suited to determine taxability of this income

Decisions in countries like Germany where a mere server can also in certain cases (intelligent server) be treated as a PE

Italy is in the process of introducing "Google tax".

India's retrospective change of definition of "royalties".

Global cooperation required to determine source and attribution of these types of e-com income

May be dangerous for corporates if individual countries begin to tax these incomes which will have cascading effect and impact businesses significantly

# Using the internet

- **There are increasing number of transactions through which an individual or organisation pays to (for example)**
  - Play interactive games on the internet
  - Watch live sports event on the internet
  - Find a personal relationship through the internet
  - Store data on the cloud
  - Use computer software stored on the cloud (no software is downloaded on the user's machine)



# Example : Hire a Cloud



- I Co obtains following services from US Co
  - Space on server of US CO as may be required by I Co from time to time.
  - Random Access Memory (RAM) on server of US Co as may be required by I Co from time to time.
  - Incidental Operating systems for enabling I Co to use the above as per its requirements.
  - Connectivity for enabling I Co and/or its customers/vendors to use the above.
- I Co uses the services either (i) to provide a platform from which its customers (through intermediaries such as mobile phone companies) download games; or (ii) for usage as a social networking site where its games are available for free usage to users.

# Example : Hire a Cloud



## Under ITA –

- Royalties – Decisions like *Asia Satellite Telecommunication Co. Ltd v DIT* 197 Taxman 263 (Del), *et al* held to be not covered. However, post the amendment of 2012, it remains to be seen if such judicial view is available or not.
- FTS - *DCIT v Parasrampuriah Synthetics Ltd* [2008] 20 SOT 248 (Del), *Tata Consultancy Services v State of Andhra Pradesh* 271 TIR 401 (SC), *Skycell Communications Ltd v DCIT* (2001) 251 ITR 53, *CIT v Estel Communications (P) Ltd* 217 CTR 102 (Del), *Pacific Internet (India) Pvt Ltd v ITO* 318 ITR (AT) 179 (Mum)
- Business Profits



# Example : Hire a Cloud



Under DTAA –

- **Royalties** – payments of any kind received as **consideration for the use of**, or the right to use, any industrial, **commercial, or scientific equipment**, other than payments derived by an enterprise described in paragraph 1 of Article 8 (Shipping and Air Transport) from activities described in paragraph 2(c) or 3 of Article 8
  - Extended meaning given to the said words contained in Explanation 4 and 5 of section 9(1) (vi) are conspicuous by their absence
  - WNS North America Inc vs. ADIT, and also ITAT benches in the cases of Nokia Networks OY 78 DTR 41 (Del), B4U International 74 DTR 162 (Mum) – Extended definitions not to apply to treaties
- **FTS** – *NA, besides, FIS coverage is narrower*
- **Business Profits** – NA as no PE

# Example: matrimonial purposes

**MIX 'N MATCH is a website that allows single men and women to find a long-term relationship**

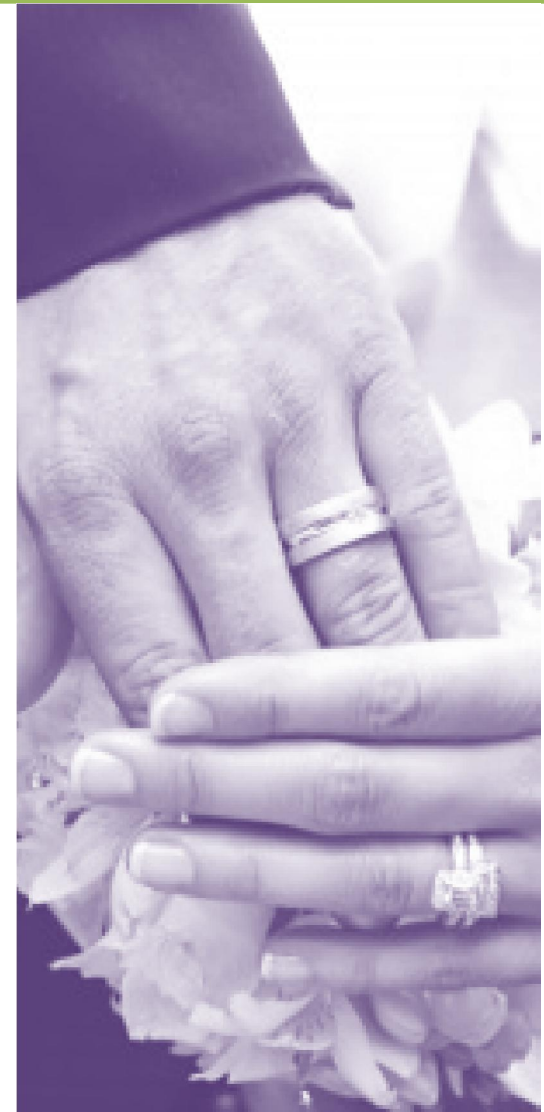
**Potential clients are first required to complete a long and detailed questionnaire**

**Using algorithms developed by MIX 'N MATCH on the basis of research on shared values and features of happy couples, MIX 'N MATCH's proprietary software**

Analyses the responses to the questionnaire and generates a summary description of the potential client

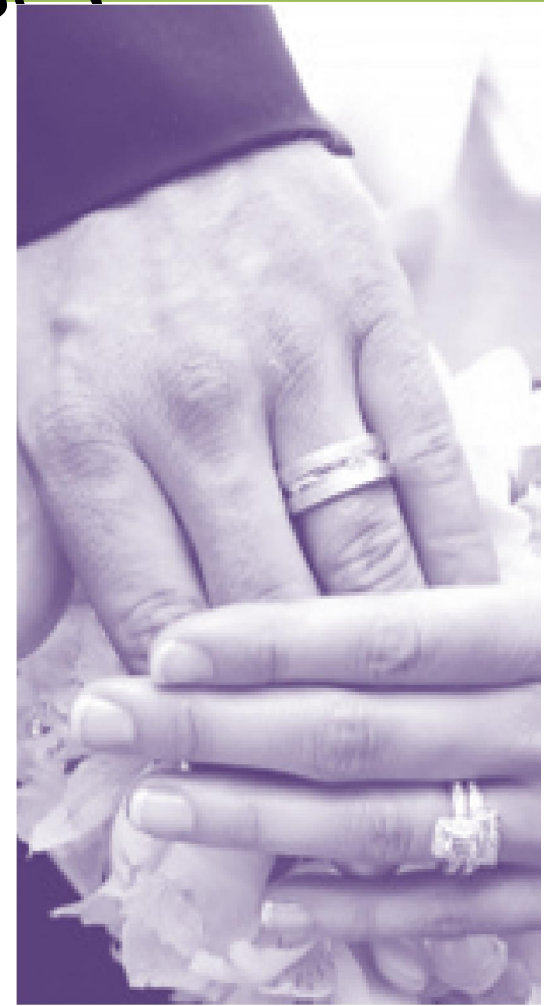
Compares that summary with other summaries in MIX 'N MATCH's database of potential clients

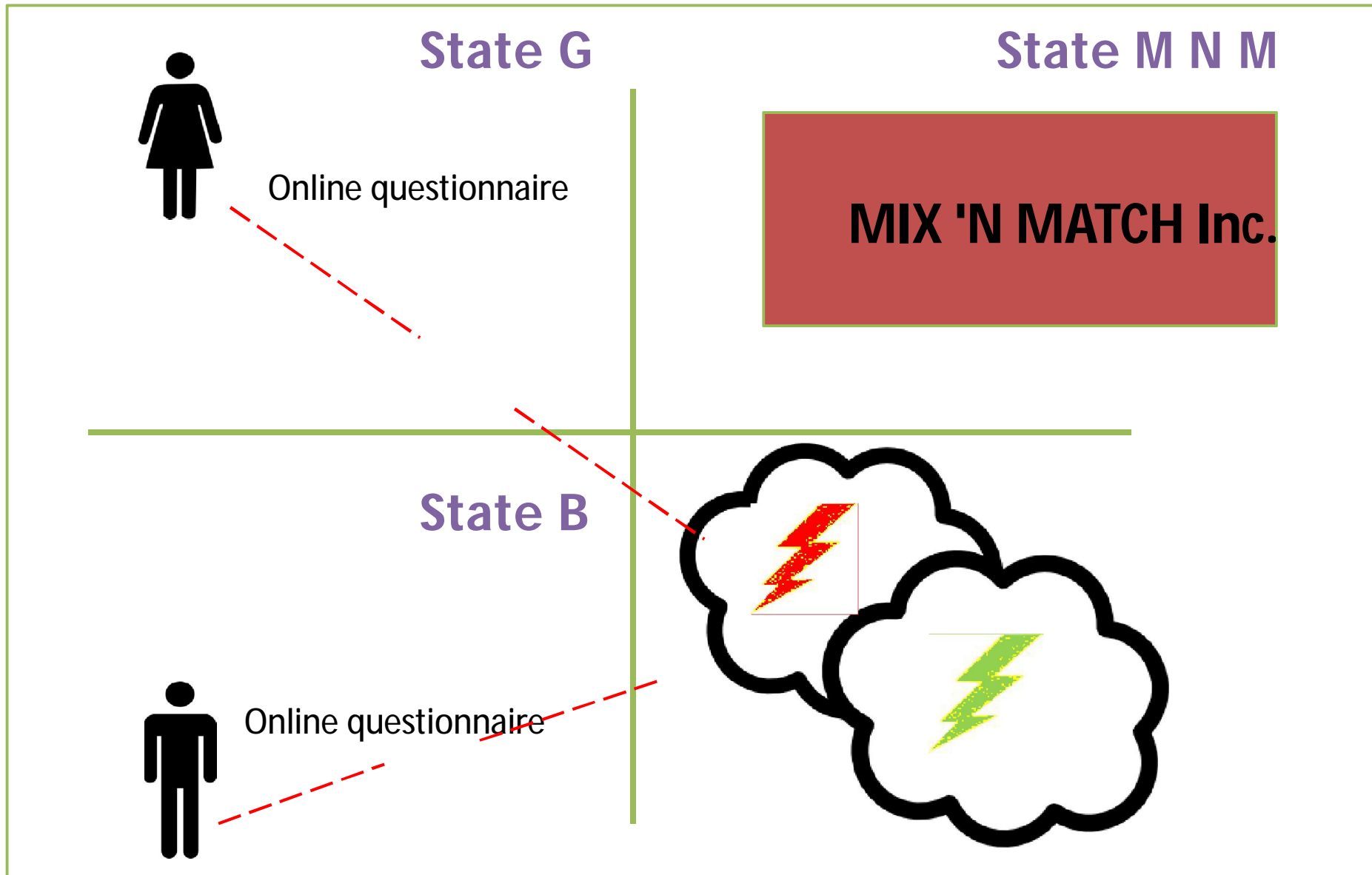
Identifies compatible summaries and notifies the potential client of these possible matches

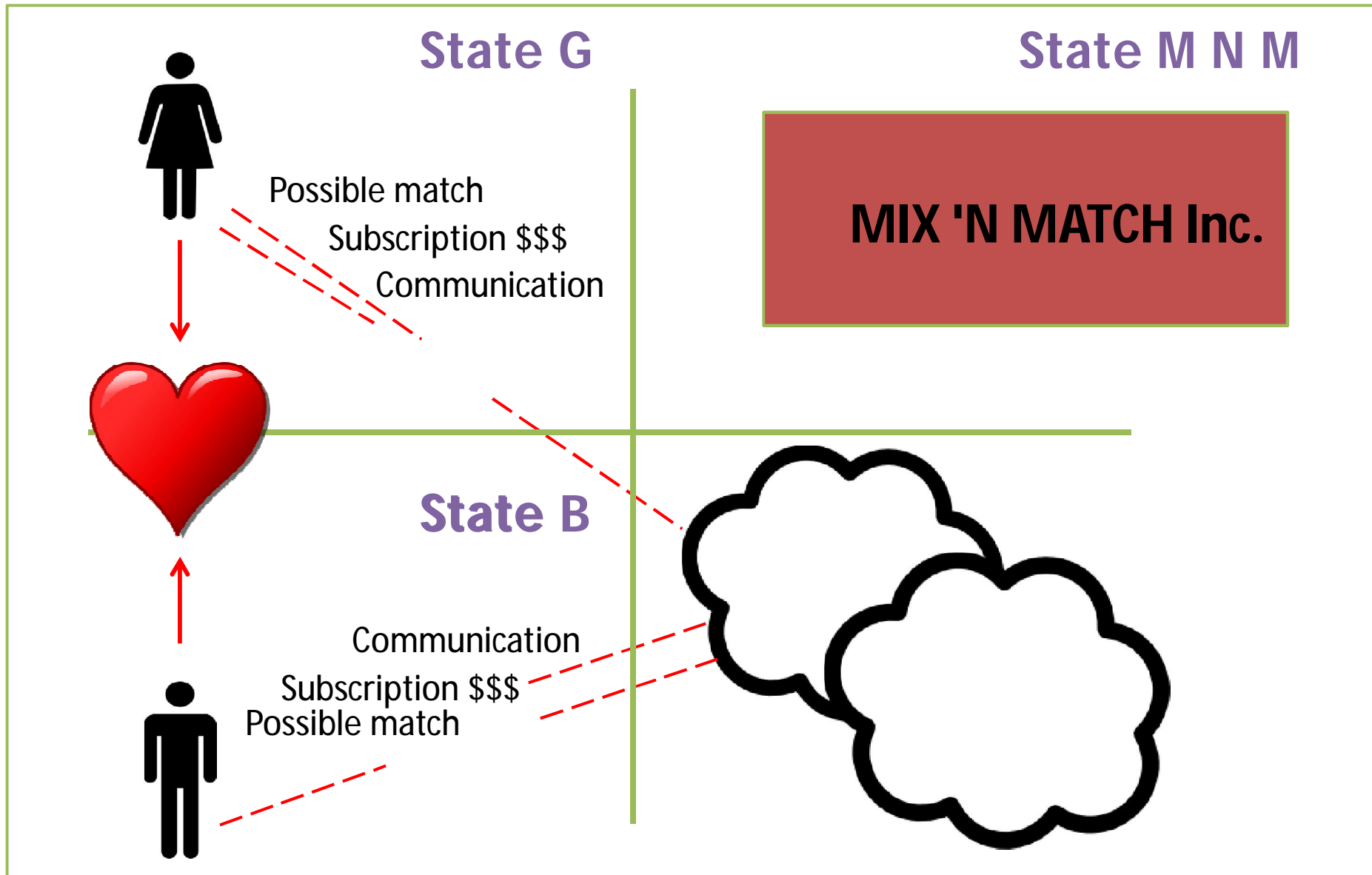


# Example: Using the internet for matrimonial purposes

- A potential client who wants to communicate with a possible match must open an account with MIX 'N MATCH, which requires the payment of a monthly fee (which is auto-renewed)
- The account holder is then given access to MIX 'N MATCH's secure communication system through which communications with possible matches take place on an anonymous basis







# Discussion

**Are cross-border payments made in these cases taxable in the State of residence of the user?**

- Does the supplier have a PE?
- Are the payments royalties (e.g. payments for the use or right to use industrial, commercial or scientific equipment)?
- Are the payments “fees for technical services”?

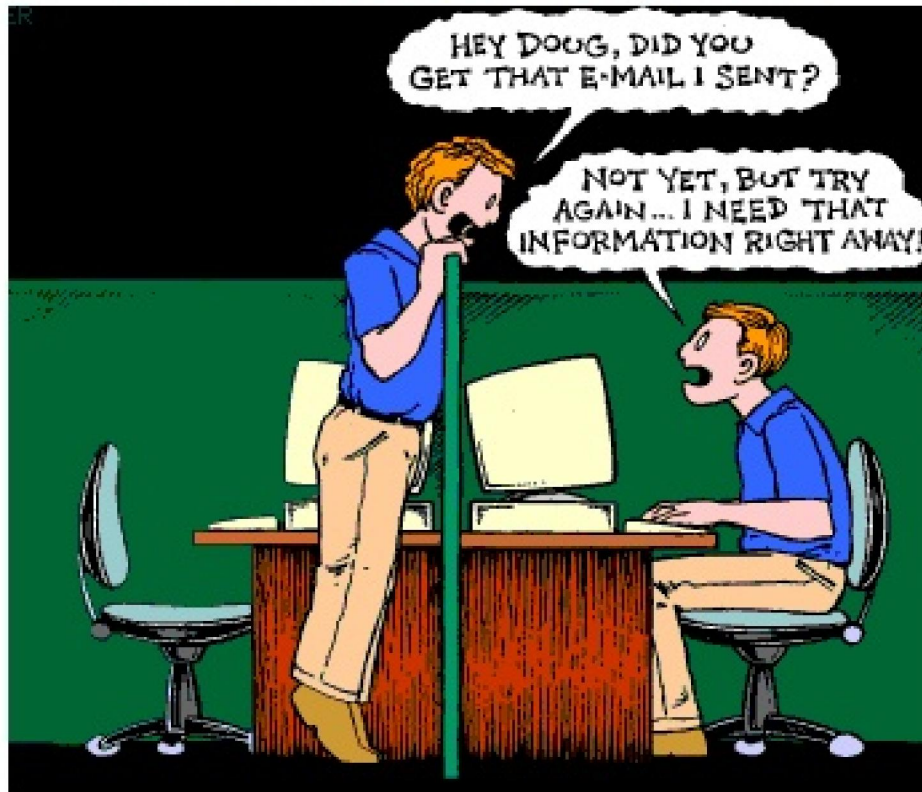


# WAY FORWARD...

- In his book *Erosion of a Tax Treaty Principle*, Norwegian tax expert Arvid A. Skaar says, "The conclusion is that the effects of the PE concept in international fiscal law have changed, in particular during the last few decades. Rather than protecting the tax base in the source state, the PE principle today has become instrumental in ensuring avoidance of source-state taxation for some economically important business operations."
- Prof. Doernberg – in 1997 IFA Congress at Delhi highlighted inadequacy of PE concept for taxation of e Commerce transactions
- Time is ripe for developing/ modifying the concept of PE and taxation of income from new business concepts, to prevent avoidable disputes in future.

# Thank You

## Inter-office e-mail





# OECD BEPS DRAFT REPORT – How Digital economy leads to BEPS

- **Minimisation of taxation in the market country** by avoiding a taxable presence, or in the case of a taxable presence, either by shifting gross profits via trading structures or by reducing net profit by maximising deductions at the level of the payer;
- A non-resident company may interact with customers in a country remotely through a website or other digital means (e.g., an application on a mobile device) without maintaining a physical presence in the country.
- An MNE group does maintain a degree of presence in countries that represent significant markets for its products. In the context of the digital economy, an enterprise may typically establish a local subsidiary or a PE, with the local activities structured in a way that generates little taxable profit.
- Typical examples of digital economy structures that minimise assets and risks in market jurisdictions include using a subsidiary or PE to perform marketing or technical support, or to maintain a mirrored server to enable faster customer access to the digital products sold by the group, with a principal company contractually bearing the risks and claiming ownership of intangibles generated by these activities.
- Maximise the use of deductions for payments made to other group companies in the form of interest, royalties, service fees, etc.

# OECD BEPS DRAFT REPORT – How Digital economy leads to BEPS

- **Low or no withholding tax at source**

A company in the digital economy may be entitled to reduced withholding or exemption from withholding on payments of profits to a lower-tax jurisdiction in the form of royalties or interest. Structures that involve treaty shopping by interposing shell companies located in countries with favourable treaty networks that contain insufficient protections against treaty abuse raise BEPS concerns.;

- **Low or no taxation at the level of the recipient** (which can be achieved via low-tax jurisdictions, preferential regimes, or hybrid mismatch arrangements) with entitlement to substantial non-routine profits often built-up via intra-group arrangements;

- **Application of preferential domestic tax regimes**, the use of hybrid mismatch arrangements, or through excessive deductible payments made to related entities in low-or no-tax jurisdictions.

# OECD BEPS DRAFT REPORT – How Digital economy leads to BEPS

## **No current taxation of the low-tax profits at the level of the ultimate parent.**

Contractually allocating risk and legal ownership of mobile assets like intangibles to group entities in low tax jurisdictions, while group members in the jurisdiction of the headquarters are undercompensated for the important functions relating to these risks and intangibles that continue to be performed in the jurisdiction of the headquarters.

The parent company may transfer hard-to-value intangibles to a subsidiary in a low- or no-tax jurisdiction, thereby causing income earned with respect to those intangibles to be allocated to that jurisdiction without appropriate compensation to the parent company. In some cases, a CFC regime might permit the residence jurisdiction to tax income from these intangibles. Many jurisdictions, either do not have a CFC regime, have a regime that fails to apply to certain categories of income that are highly mobile, or have a regime that can be easily avoided using hybrid mismatch arrangements.

# Options Suggested

- Modifying the rules of exemption from Permanent Establishment
- Creating new rules based on Significant Digital Presence
- Virtual Permanent Establishment
- Creation of WHT on Digital transaction

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