Taxation on the Digital Economy
—Issues on Implementation and Enforcement—

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Abstract

The consideration of a tax system on the digital economy involves challenges related to implementation, such as how to calculate and allocate profits attributable to market countries, and challenges related to enforcement, such as ensuring appropriate tax declaration and payment, avoiding excessive compliance cost, and preventing and eliminating double taxation. New rules should adequately take into consideration the following issues concerning implementation and enforcement. The first issue is the clarity of the requirements regarding the methods of calculating and allocating attributable profits. The second issue is the need for effective systems to require registration in market countries and for information sharing among the tax authorities to ensure appropriate tax declaration and payment, and avoid excessive compliance cost. The third issue is the need to foster an international consensus to allocate profits and develop an effective multilateral framework of dispute settlement. It is required to hold sufficient discussions on how to tax the ever-growing digital economy, which is the issue that significantly affects the future direction of the international tax system.

Keywords: digital economy, BEPS, compliance cost, tax enforcement, dispute settlement mechanism

I. Introduction

Ways of taxation of how to tax large IT companies that operate business across borders through the Internet has been currently under international debate. There has been criticism that large IT companies do not pay enough taxes to meet the profits they earn because they have no physical presences in the market jurisdiction where users and consumers are located. Therefore, there is further consideration to create a new international taxation rule, and whether an international agreement can be obtained has become the focus of attention.

The characteristics of digital business are: (i) the ability to conduct business without a physical presence in a market jurisdiction, (ii) participation of users which creates value and increased profitability, and (iii) the use of many intangibles such as digital platforms. These characteristics raise taxation challenges and lead to difficulties in execution.

The problem is that the principle of the conventional international taxation rule of no taxation without permanent establishments (hereafter “PE”) has become obsolete under the digital economy, and the rule creates a situation where large IT companies do not afford corporate taxes in market jurisdictions.

The current taxation rule has allocated profits to the jurisdiction where a PE is located, depending on the functions that PE is performing and the risks it undertakes, and taxes the profits according to its activities. In other words, the current system is a rule that even foreign companies must pay taxes to a jurisdiction if there are PEs such as branches and factories that conduct sales activities in that jurisdiction. However, in the case of a large IT company providing services directly to consumers in the jurisdiction through the Internet without a PE, there is no obligation to pay corporate taxes to the jurisdiction even if profits from its transaction occur. As a result, two problems have arisen. First, even if an IT company earns profit in a market jurisdiction, it will not be taxable in that market jurisdiction. Second, if domestic and foreign companies compete, only domestic companies are taxed, and it is unfair competition. According to the European Commission, ordinary companies pay 23.2% of their profits as taxes, while IT and digital companies pay only 9.5%.[1] Transferring the profits earned by IT and digital companies to group corporations in low-tax jurisdictions enables to reduce the tax burden on the entire group. Therefore, the focus of the discussion on international taxation under the digital economy is the way to correct these deficiencies.

Taxation on the digital economy has evolved from a challenge of taxation on large IT companies to a bigger discussion on how the international taxation system should be. Data transferred across national borders brings large wealth in the digital economy. Not only IT companies but also various companies may use substantial volume of data to increase consumers and to develop new technologies. For example, the utilization of a large volume of data is expected in the field of automobiles or digital home appliances. For this reason, the issue of discussion is what the basis for taxation is, how much companies should pay, and efforts to drastically change the current international taxation system.

Several jurisdictions, such as France, the United Kingdom, Spain, Italy and Australia, have planned or implemented unilateral digital service taxes without waiting for an international agreement. In the background, there is public dissatisfaction with tax inequality and a lack of financial resources of their own. In the case that international rulemaking on taxation of digital economy is delayed, other jurisdictions are likely to continue to introduce unilateral digital service taxes. With many jurisdictions carrying out unilateral taxation, companies will pay each digital service tax in each jurisdiction, along with the possibility of double taxation, and their compliance cost will increase. The question is whether we can establish a solid framework for new taxation rules with common understanding across nations, and work is underway to thoroughly examine this at the OECD. Under the Inclusive Framework,[2] the OECD published the Policy Note in January 2019[3] and the Public Consultation

[1] European Commission (2018).
[2] Framework that discuss BEPS countermeasures with countries and regions other than OECD member states in addition to member states.
[3] OECD (2019a).

Document in February 2019 (hereafter "Public Consultation Document"),[4] which presented three proposals: user participation, marketing intangibles, and significant economic presence (hereafter "3 OECD Proposals"). In the "Programme of Work" published in May 2019, three proposals were presented on how to calculate the profits allocated to a market jurisdiction, and in the consultation document of the Secretariat's Proposal published in October 2019[5] which proposed an integrated approach (hereafter "Integrated Approach").

All of these proposals are ways of taxation in market jurisdictions even if they do not have physical presence in these jurisdictions. In the implementation of each proposal, it is necessary to discuss specifically what to make a taxable nexus, the value created in each market jurisdiction, and the calculation of profit allocated to market jurisdictions. In addition, the acquisition of information by the tax authorities, ensuring proper returns and tax payments, the possibility of execution of tax audits and collection, compliance costs for taxpayers, and prevention and elimination of double taxation are also issues to consider. This paper examines these implementation and enforcement issues on taxation of the digital economy.

II. Discussion at OECD and its evaluation

In the late 1990s, the OECD discussed the taxation of e-commerce, and the basic framework for taxing e-commerce was published at the Ottawa Ministerial Meeting in October 1998. The idea of the framework was that e-commerce taxation should be applied to traditional taxation principles: neutrality, efficiency, clarity, simplicity, fairness, and flexibility.

Taxation on the digital economy was discussed in the OECD BEPS project, which began in 2012. In the final report of the BEPS Project (Action 1) published in October 2015[6] (hereafter "BEPS Final Report"), the digital economy was already becoming the economy itself, and it was not possible to ring-fence the digital economy, and it examined some options for taxation on the digital economy, but did not reach a recommendation for concrete countermeasures.

The OECD will continue to discuss and compile a report by 2020 with an agreement under the Inclusive Framework. The OECD published the Policy Note in January 2019 and the Public Consultation Document in February 2019 which describe the status of the discussion. Furthermore, it published a Secretariat's Proposal in October 2019.

The following describes these outlines and evaluations, including implementation and enforcement perspectives.

II-1. BEPS Final Report (Action 1)

The BEPS Final Report states that a variety of digital technologies are incorporated in

[4] OECD (2019b).
[5] OECD (2019d).
[6] OECD (2015).

various business transactions, and the digital economy cannot be separated from other economies, and it is difficult to separate and tax only digital transactions. The report describes three options: (1) significant economic presence (hereafter "SEP"), (2) withholding tax on digital transactions, and (3) equalisation levy.[7]

II-1-1. Significant Economic Presence

The concept of SEP is, if it is found that a non-resident company has an important nexus (such as sales, local domain name, local digital platform, number of users, number of contracts signed through digital platform, etc.), it is recognized as SEP and taxed on income belonging to it like a PE even if it does not have a physical presence in the source jurisdiction.

With regard to SEP, there are implementation challenges such as: (i) what threshold to recognize SEP at in the absence of physical presence, and (ii) how to calculate the profits attributable to SEP (the profit linked to the creation of value in the source jurisdiction).

Many public comments submitted to the OECD 2017 Public Consultation[8] point out issues related to the threshold of SEP and the allocation of profits. The most common criticism is about the value of data utilization, and it insists data itself has little value, and analyzing and processing them create value. Some comments state that data collection and user relationships are not new activities and do exist in traditional business models.[9]

II-1-2. Withholding tax on digital transactions

Withholding tax on digital transactions withholds tax from the payment of consideration for goods and services provided online by non-resident companies using the Internet.

Comments to the 2017 OECD public consultation show that they are merely in favor of withholding tax for digital transactions. For example, it is difficult to clearly articulate which transactions are subject to tax. Another comment is that it is desirable to make it a wide range of subjects to avoid competitive imbalances, while others say that excessive rules should be avoided. Many comments point out withholding tax on B2C transactions as practically unrealistic. Although OECD states it could be able to refund taxes for loss transactions, some emphasized that the refund system was not sufficient because of a complicated refund process for withholding tax.

II-1-3. Equalisation Levy

Equalisation levy is a tax to correct unfairness between foreign business operators which are not taxed and domestic business operators which are taxed. There is also the aspect of ensuring fairness between digital transactions and non-digital transactions.

The following problems arise from the viewpoint of implementation of the equalisation levy. First is the setting of the scope to impose the equalisation levy. In imposing equalisation levy based on the number of users in a jurisdiction, for example, it is difficult to accu-

[7] OECD (2015), Section 7.6.
[8] OECD (2017a).
[9] Larking (2018).

rately measure the number of users. The number of users is not directly related to revenue in the market jurisdiction, the revenue that each user brings to foreign companies differs from user to user, and it is difficult to set its tax rate appropriately.[10] Second is the risk of double taxation. A possibility of double taxation between the equalisation levy and taxation of corporate taxes in the jurisdiction of residence could arise.[11] Comments submitted to the 2017 OECD public consultation pointed out that there is a problem that the equalisation levy is excluded from the tax treaties and it increases the risk of double taxation. The BEPS Final Report also recognizes double taxation as a potential problem and states equalisation levy should be imposed only in a situation where income is not taxed or taxed at extremely low tax rates.[12] This option will be completely apart from the process of value creation, and it is assumed the company, on the one hand, can lead to consequences of disproportionately large taxation and insignificant taxation on the other hand. There is a concern that it could cause a sharp distortion of the market, and the feasibility of calculating the value creation from various indicators is a difficult challenge.

II-2. Policy Note and Public Consultation Document

The OECD published the Policy Note in January 2019 by compiling its previous studies, and the Public Consultation Documents for discussion in February 2019 which proposed two pillars of taxation on the digital economy. The following describes pillar one. Pillar one proposes developing the attribution of profit and the nexus including modification of the PE threshold,[13] and puts forward three proposals: (1) user participation,[14] (2) marketing intangibles,[15] and (3) SEP.[16]

(1) The user participation proposal focuses on the value created by highly digitalized business through user contributions, and only digital business is subject to taxation. Even if there is no PE in the market jurisdiction, if consumers have used an online contract or service, tax is levied based on the number of clicks or the number of online contracts in each jurisdiction. There is opposition to limiting the taxation to digital business. For example, comments from Business at OECD in the Public Consultation Document are critical of limiting taxation to digital business and states that the reform should not ring-fence the digital economy.[17]

Since the value generated by user participation was not considered by conventional international taxation rules, it is necessary to revise the profit allocation rule according to the creation of value by user contribution.[18] The taxation mechanism in this proposal calculates

[10] OECD (2015), para.305.
[11] Id., Para.307.
[12] Id., Para.307.
[13] OECD (2019a), p.2.
[14] OECD (2019b), para.17-28.
[15] Id., para.29-49.
[16] Id., para.50-55.
[17] Business at OECD (2019), p.9.
[18] OECD (2019b), para.18-21.

the residual non-routine profits from total profit of the business, and allocates the profit to the jurisdiction of the user's location with taking into account the benefit of user participation. However, its calculation is not easy. According to the proposal, significant challenges exist in calculating non-routine profit across a multinational enterprise (hereafter "MNE") group, and there would be additional difficulties to calculate non-routine profit of each business line. To streamline its implementation, a proposal could rely on a formula that would approximate the value of user contribution.[19]

Regarding the value of user participation, there is a view that user activity is one form of consumption, that provides a positive externality to providers rather than uncompensated labor that creates value.[20]

For companies like Facebook, Google, Instagram, Snapchat, Twitter, and WhatsApp, the real value creation driver is the ability to provide a major complementary service in a market based on huge investments, and it can be pointed out that corporate investment, not value creation by users, can be a source of taxable value in the jurisdiction.[21]

(2) The marketing intangibles proposal is an approach that focuses on marketing intangibles, and it is not intended to apply only to highly digitalized business and has a wider scope of business in other fields. Even if there is no PE in a market jurisdiction, investments and marketing activities that strengthen brand power and the customer base are carried out, and sales are taxed as part of the profit in that jurisdiction. The proposal would modify current profit allocation and nexus rules, and attribute marketing intangibles and associated risks to a market jurisdiction and allocate the residual non-routine profits of MNEs.[22]

This proposal emphasizes the functional connection between the marketing intangibles and the market jurisdiction. MNEs develop marketing intangibles such as the increase of users and customers through local limited-risk distributors or remote transactions. However, some have pointed out that customer data is not so important in profit allocation. The Public Consultation Document requires careful consideration that marketing activities may be conducted outside the marketing jurisdiction and may not conform to the preferences of consumers in the market jurisdiction, and the marketing activities differ between B2B and B2C. In addition, the problem is that the connection between certain activities and the return obtained is unclear, and there is a question whether the relationship between marketing intangibles and a market jurisdiction exists.[23]

Comments from many organizations to the Public Consultation Document show concern about double taxation and an increase in administrative burdens. For example, Keidanren (2019a) pointed out the complexity of the calculation process, and the proposed calculation process "could perhaps be termed a global residual profit split method and deviate considerably from the arm's length principle (ALP). There are significant issues to be addressed.

[19] Id., para.26-28.
[20] Finley (2018), p.222.
[21] Schön (2018), p.288.
[22] OECD (2019b), para.43.
[23] Id., para.61.

For example, which accounting/tax accounting standard should we use to identify total profit? How should we differentiate the specific business from other business? Who would provide assurance that the method is properly applied?"[24] Business at OECD (2019a) points out that the marketing intangibles proposal raises definitional issues that inevitably will require line drawing, such as the differences between marketing and trade intangibles. Also, it is skeptical that agreement could be reached on how to allocate non-routine profit between trade intangibles and marketing intangibles.[25] It is necessary to clarify the tax requirements, including the definition of marketing intangibles.

Many comments to the Public Consultation Document state concern about proposals to allocate profits from marketing intangibles among jurisdictions while recognizing the marketing intangibles approach is more compliant with current transfer pricing rules. For example, the use of sales as an allocation indicator, and the contribution in the place of marketing and content creation in a market jurisdiction has little correlation with sales in the region.[26]

The non-routine profits of marketing intangibles are based on whether an MNE group has legal rights to marketing intangibles, which companies in the group manage DEMPE functions,[27] and allocated to a market jurisdiction regardless of the degree of risk undertaking marketing intangibles, regardless of the marketing intangibles under current rules, and the benefits allocated in accordance with associated risks.[28] Therefore, there is a concern that the proposal of marketing intangibles deviates from the current rule based on the DEMPE functions about the allocation of profits by marketing intangibles.[29] Avi-Yonar & Clausing (2019) also point out that "the proposal does nothing to resolve the transfer pricing mess because it is impossible to separate marketing from other intangibles, and any attempt to do so risks double taxation."[30]

(3) The SEP proposal is an approach based on the concept of "significant economic presence" described in the BEPS Final Report, and recognizes the nexus in the form of SEP when there is an element that leads to income in a market jurisdiction. Factors to consider to be SEP include: (i) the existence of a user base and the associated data input, (ii) the volume of digital content derived from the jurisdiction, (iii) billing and collection in local currency or with a local form of payment, (iv) the maintenance of a website in a local language, (v) responsibility for the final delivery of goods to customers or the provision by the enterprise of other support services such as after-sales service or repairs and maintenance, or (vi) sustained marketing and sales promotion activities, either online or otherwise, to attract customers.[31]

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[24] Keidanren (2019a), 2 (1)(ii).
[25] Business at OECD (2019a), p.26.
[26] Larking (2019), p.518.
[27] DEMPE refers to the functions of development, enhancement, maintenance, protection, and exploitation.
[28] OECD (2019b), para.44.
[29] Larking (2019), p.517.
[30] Avi-Yonar & Clausing (2019), pp.841-842.
[31] OECD (2019b), para.51.

The tax base is determined by applying the global profit rate of the MNE group to the revenue generated in a particular jurisdiction. The tax base would be allocated by taking into account factors such as sales, assets and employees. In addition, this proposal contemplates that users would also be taken into account in apportioning income for those businesses in which users contribute to the value creation process.[32] The proposal also considers the withholding tax methods presented in the BEPS Final Report as a collection mechanism.[33] In response to the proposal of withholding tax, it has been pointed out that there are cases where there is no proper refund of withholding tax in some jurisdictions, or it may take several years to get a refund.[34]

II-3. Programme of Work

All 3 OECD Proposals in the Public Consultation Document allocate the tax right to a market jurisdiction without PE. In May 2019, the OECD published the Programme of Work which proposed three ways of calculation: (i) the modified residual profit split method, (ii) the fractional apportion method, (iii) the destination-based approach. The modified residual profit split method separates the profits of the entire enterprise into routine and non-routine profits, and divides non-routine profits into marketing intangibles subject to profit allocation and other intangibles. The fractional allocation method allocates the profits of an MNE group to each jurisdiction based on certain allocation criteria such as the number of employees, assets, sales, and the number of users. The destination-based approach is based on the baseline profits of marketing, sales, and user-related activities in the marketing jurisdiction, and is intended to calculate and allocate the deemed profits to each jurisdiction by applying the deemed operating margin to it. (i), (ii), and (iii) are common in the recognition of a nexus without physical presence, while (i) and (ii) maintain arm's length principle (hereafter "ALP") in the calculation method of profit sharing, (iii) uses a calculation method of deemed profit that deviates from the ALP.

II-4. Secretariat's Proposal

On October 2019, the OECD Secretariat published a proposal indicating the framework of the new rules and invited public comments. The Secretariat's Proposal is an integrated approach based on the consideration of the three proposals presented in the Public Consultation Document: user participation, marketing intangibles, and SEP proposals. The target of the new rules is consumer-facing business and is not limited to digital businesses. The new nexus will be recognized by a threshold on sales in the market jurisdiction, regardless of whether there is a physical presence in the market jurisdiction. The method of profit allocation is built on a three-tier mechanism.[35] The first (Amount A) grants a new taxing right to

[32] Id., para.53.
[33] Id., para.55.
[34] Keidanren (2019a), 2(1)3.

the market jurisdiction for a certain percentage of residual profits. A certain percentage of the total profit is regarded as non-routine profit, and the market jurisdiction is given taxing right on a portion of the deemed non-routine profit. The allocation of profits to each jurisdiction shall be made by a specified formula based on the percentage of sales, for example, agreed in advance. The second (Amount B) is intended to impose a tax on business activities in a market jurisdiction, especially sales functions, according to existing rules, but to allocate a fixed rate of profits reflecting basic activities. Third (Amount C) is that the market jurisdiction will levy on additional profits based on additional functions in accordance with the existing transfer pricing rules in the event of economic activity beyond the above basic activities in a market jurisdiction.

The Secretariat's Proposal is an integrated approach that extracts the advantages of each of the 3 OECD Proposals presented in the Public Consultation Document, rather than selecting one of the 3 OECD Proposals. The concept of the proposal of user participation is reflected in the sales in the market jurisdiction. The concept of the proposal of marketing intangibles is reflected in considering that the portion exceeding the normal profit usually comes from the marketing intangibles, and the taxing right to a certain percentage of the excess profit is allocated to the market jurisdiction. Although it is difficult to identify marketing intangibles and precisely calculate the allocation of residual profits based on current rules, the use of a certain formula as an element of the residual profit split method can be a realistic approach from the implementation point of view. In the SEP proposal, the number of users in the market jurisdiction, the amount of digital content, etc., are proposed as factors for recognizing a new nexus, and the tax base is determined by applying the global profit margin of MNEs to the income generated in the market jurisdiction, but the Secretariat's Proposal adopted a simple profit allocation method taking into account the implementation. The Secretariat's Proposal integrates the advantages of the proposals with considering practical and enforcement points of view as well as profit allocation using a certain formula.

III. Challenges on implementation and enforcement

While all proposals for the new rules are to amend the nexus concept, it is necessary to examine how to calculate and allocate profits based on the characteristics of digital transactions, and to consider the implementation perspectives such as the compliance costs of taxpayers, the effectiveness of enforcement, and the prevention and elimination of double taxation. This chapter focuses on these implementation and enforcement issues.

III-1. Implementation – Calculation of attributable profits

The first issue for the implementation of the new rules is the calculation of the profits attributable to the nexus under the new rule. While land, labor, and capital are generally con-

[35] OECD (2019d), para.30.

sidered as major elements of production activities, data plays an important role as an element of capital under the digital economy. Although it is certain that data performs important functions, it is not clear how valuable data is in a business process and it is not uniform depending on business models.

The BEPS project fosters a common understanding that taxes are levied where economic activity is carried out and value is created. However, there is no consensus on where, by whom, and how much value is created in global transactions. The BEPS Final Report (Action 8-10) "Aligning Transfer Pricing Outcomes with Value Creation" does not define the notion of value creation for purposes of designing tax policy.[36] There is no common understanding of "value creation" in the global supply chain.

It is difficult to calculate the profit attributable to the market jurisdiction after recognizing the nexus in digital existence, and to use the current transfer pricing rule. In the calculation of the attributable income of PE, it is assumed that the transfer pricing rule is used, and it is possible to use the calculation method by the current transfer pricing rule as well as the attributable profit calculation of the current PE in the calculation of the profit attributable to the nexus of the digital transaction, and the taxation on the highly digitized business model is based on the current rule. There are different opinions on whether it is possible to calculate attributable profits by the current transfer pricing rule. The next section considers the profit-sharing rules in terms of applicability of the current transfer pricing rules for taxation on businesses without physical presence in the market jurisdiction.

III-1-1. Application of current transfer pricing rules

There is an opinion that it is possible to calculate the attributable profit by applying the current transfer pricing rule for a highly digitized platform business.

Petruzzi & Buriak (2018) state the proper application of profit attribution to all the jurisdictions where digitalized companies generate their value. They examine that the functions of a company and the main value drivers are based on industry, operation method, market share and other economic factors, and they analyze the process of value creation based on the value chain analysis of M. E. Porter, a management scholar.[37] As a framework for analyzing which processes are generating value, Porter's value chain analysis divides activities that create value into main activities and support activities which support the main activities, and examines the process of the product or service toward customers, and value added in each process by classifying the company's main activities into general management, labor management, technology development, and procurement activities. Digitization of corporate products, services and operating processes belong to the value of the functions performed by each unit. A highly digitized business model and its value drivers are different from traditional business forms, and this business model uses data as a key factor in generating profit. The functions and characteristics of highly digitized business should be considered in trans-

[36] Orbert & Spengel (2017), p.10.
[37] Petruzzi & Buriak (2018), p.91.

fer pricing analysis. The following describes ways to attribute profits to each jurisdiction.[38]

- The new concept of digital PE is not an exception to the rules, and it is possible to allocate risk, and the price between independent companies can attribute profits to each jurisdiction.
- In highly digitized business, it is effective to determine whether consumption in market jurisdiction has created additional value through value chain analysis.
- Profits attributable to PE in each jurisdiction will be allocated based on the concept of value creation based on value chain analysis of the arm's length price.
- The value attributable to digital activities should be considered on a case-by-case basis, and the consideration by value chain analysis includes four steps: (i) what is the main activity of the company, (ii) what functions the company will perform for each key activity, (iii) what kind of value the company creates, and (iv) what special functions a company performs to create various types of value.
- There are several approaches to evaluating the value of data, and further analysis is needed on how transfer pricing analysis is applied to each case.

Petruzzi & Buriak (2018) state it is effective to analyze the functions performed, the assets used, the risks taken by each entity, and important human functions on their respective PEs, and the current transfer pricing rule based on the Authorized OECD Approach (hereafter "AOA") which supports the application of allocation rules.[39]

In addition, there are opinions that the ALP is flexible enough for the digital economy, and the ALP is still a better approach than formulary apportionment. It is possible to cope with the digital economy with the ALP, as a method of attribution to profit, after the profit allocation method referring to the transfer pricing method of global trading is also considered, the value of data created by consumers is not large. There is also an opinion that the established AOA to profit attribution suggests that only limited profit is allocated to a digital presence in a market jurisdiction.[40]

On the other hand, there is a view that it is necessary to change the idea of the current transfer pricing guidelines greatly even if it is one strategy to use the profit split method based on the AOA to calculate the attributable profit to the digital PE.[41] According to current guidelines, even if the concept of digital PE is introduced, the activity of digital PE is classified as routine activities as well as service providers and low-risk distributors, and contributes to low value added, and it has only a limited portion of cost-plus profits.

Even if it is difficult to find a comparable arm's length price in digital transactions in which many intangibles are used, it may not always be impossible to calculate the profits attributable to the market jurisdiction through functional analysis. However, it is necessary to further examine how to properly reflect the functions of the digital platform and the contribution of users to the attributable profit in the digital economy. It will be necessary to ex-

[38] Id., pp.99-100.
[39] Id., pp.107-108.
[40] Finley (2018a), p.421.
[41] Long & Treidler (2018), p.1027.

amine the business model in which functional analysis is not performed properly. In the proposals of user participation and marketing intangibles, an “activity” in a market jurisdiction is recognized as the nexus and “activity” per se is not a subject that bears risk or cost, and it is considered difficult to apply the current concept of the AOA as it is.

III-1-2. Opinions that current transfer pricing rules are inappropriate to apply to the digital economy

Meanwhile, Rosenthal (2018) assumes that it is inappropriate to apply the current transfer pricing rules to highly digitized platform businesses for the following reasons:[42]

- In a platform business, network effectiveness is the primary determinant of value, and factors such as the number of users and the degree of user engagement lead to the value of a platform business.
- Valuable intangibles are not built solely on R&D investments within the enterprise, but reflect user contributions.
- While user participation and user-generating contents are essential in platform business, platforms are built on intangibles such as investments in information technology and algorithms that attract users.
- Value creation through a network comes from value networks, not value chains in the current concept of the transfer pricing system.
- Current transfer pricing rules require the valuation of each intangible, but in highly integrated platform business, it is difficult to isolate and evaluate the value of each intangible. For example, a method of calculating the discount present value is also not available because it is not possible to separate the intangibles individually.

In this way, Rosenthal (2018) has considered it difficult to apply current rule to highly digitized platform businesses where value creation comes from value networks because it is impossible to cut out intangibles and evaluate each of them by applying transfer pricing rules for transactions that contain intangibles. The difference is that, in contrast to the use of value chain analysis demonstrated by Petruzzi & Buriak (2018) above, it points out the difficulty of calculating profits from value creation through a value network.

Even if the profit attributable to the market jurisdiction in the digital business can be allocated by functional analysis, the functional analysis needs to be changed to match the digital age.[43] When focusing on important human functions, important activities including data and users should also be taken into account. The DEMPE functions are important even if they do not directly link to human functions, and in the digital business, even if there is little human work in intangibles, integrated functions contribute to value creation, so it requires improvement to match the business model.

Value creation in digital business is diverse. Digital companies, such as Google and Facebook, have increased their advertising revenue from a business model that uses user

[42] Rosenthal (2018), p.1279.
[43] Pieson (2018), p.165.

data for advertising. Users benefit from digital business by using search engines for free, and digital companies use data collected from users by providing effective advertising that matches consumer's interests. Profits are not necessarily limited to the jurisdiction in which the users are located, but can be created in other jurisdictions. The challenge is how much profit should be attributed to the information obtained from these users. In addition, if the profit of the information collected by the search engine exceeds the cost of the search engine, there is no direct transaction between the user who utilized the free search engine and the company that operates the search engine. In a situation where there is no transaction that can be compared, how to measure the value of the data by the users and attribute the profit to each jurisdiction becomes a challenge.

Since the value evaluation of data varies depending on business models, it is necessary to establish a calculation framework according to various business models. The Public Consultation Document points out the following issues:[44]

(i) Profits that are allocated to the relevant users and market jurisdiction must be allocated based on the agreed allocation method, but the method must reasonably be considered commensurate with the value created in each jurisdiction.

(ii) This approach takes into account the profits allocated to the user/market jurisdiction such as sales, the number of users, or the expenditure in that jurisdiction. The possibility of tax avoidance by manipulating the location and sales must also be taken into account.

Specific allocation methods have become a challenge. The opinions submitted to the Public Consultation Document consider the calculation of the new rules too complex, and the Programme of Work suggests that there might be a simple way to deviate from the ALP,[45] and the integrated approach of the Secretariat's Proposal proposes a simple calculation method using a formula considering the implementation aspect.

III-1-3. Allocation of attributable profits

The current transfer pricing rules emphasize the functions, assets used and the risks undertaken in the transfer pricing analysis of intangibles-related transactions to ensure consistency with value creation and the transfer pricing calculations. Digital transactions contain many intangibles such as algorithms, which should also be considered in the calculation of attributable profits in the new nexus concept. When allocating attributable profits, risks should also be taken into account. However, it is doubtful that high risk is borne in the place where sales are accounted for. In a market jurisdiction, there is only "activities" such as the creation of content by users. There is no entity to bear the risk and the financial burden in the event that the investment is unsuccessful. The financial burden is borne by non-resident companies that do not have a physical presence in the market jurisdiction or only have a limited-risk distributor. Therefore, even if the risk does not usually belong to a

[44] OECD (2019b), para.78.
[45] OECD (2019c), para.23.

market jurisdiction and it belongs to the jurisdiction of residence of the non-resident companies where the funding and implementation of the development of platforms, algorithms, etc., and the decision to conduct business in the market jurisdiction is made, the profit allocation according to the risk should be allocated more to the jurisdiction of residence. On the other hand, the risk should be allocated less to a market jurisdiction where there is no physical base or only a limited-risk distributor, and where there is no (or very limited) burden of risk or cost, and only limited profit should be allocated.

With regard to the proposals of user participation and marketing intangibles that digital transactions without a physical presence in the market jurisdiction do not undertake costs or risks without personnel or assets in the market jurisdiction, allocating profits to the nexus in the market jurisdiction needs to be considered from a different perspective than the current transfer pricing rules that take into account the functions performed by the company, the assets used, and the risks undertaken, that is, a mechanism and indicators to allocate profits to market jurisdictions.

In the Public Consultation Document, determining the amount of profit allocated to the user's location jurisdiction for the proposal of user participation is difficult using the traditional transfer pricing calculation method, and the allocation of non-routine profits for marketing intangibles is not related to how the risks related to the DEMPE functions and marketing intangibles are allocated in the current transfer price rule.[46] With regard to profit allocation, the proposal of user participation and marketing intangibles takes into account the residual profit split method, and the proposal of SEP takes into account the elements of sales, assets, employees, etc.

In the integrated approach of the Secretariat's Proposal, the new profit allocation rules are separate from the ALP,[47] giving market jurisdiction the right to tax a portion of the non-routine deemed profits and the allocation ratio according to a sales-based formula agreed in the Inclusive Framework. The integrated approach incorporates a profit allocation based on a certain allocation ratio because precise DEMPE analysis has a high difficulty in implementation. It should be noted that, even if it is difficult to apply the current transfer pricing rules such as the idea of AOA and DEMPE functions, the new rules should not deviate greatly from the current system from the viewpoint of difficulty to strictly distinguish the digital economy and ensure the objectivity. If it becomes massively separated from the current rules, it may be similar to the equilibrium levy for digital companies. It is desirable that the calculated profits by both the current rules and the new rules are approximate, and the parts that can be utilized by the current rules should be utilized in the new rules, and the divergence in the handling of taxation between them should be minimized.

III-1-4. Allocation of attributable profits by the modified residual profit split method

The Public Consultation Document calculates the residual profits in the proposals for

[46] OECD (2019b), para.23.
[47] OECD (2019d), para.15.

user participation and marketing intangibles, and allocates them by the profit split methods.[48] The OECD Transfer Pricing Guidelines (Chapter 2) revised in 2017 outlines three requirements for the application of the profit split method. The first is that there is a unique and valuable contribution from both parties to the relevant transactions. The second is that the transaction is a highly integrated business activity. The third is that both related companies which conduct transactions bear economically significant risks.

When these requirements are applied to digital transactions, the first point is that marketing intangibles in digital transactions is not a contribution of both parties because there is no physical presence in the market jurisdiction. In the value creation through user participation, the valuable contribution in the marketing jurisdiction is made by a large number of users, and in the marketing intangibles proposal, marketing intangibles such as product names, customer data, and customer relationships formed in market jurisdiction are brought from activities conducted by non-resident companies, and the marketing activities per se cannot be a "party" of transactions. Second, although digital transactions are often highly integrated business activities, it is not always clear which parties have contributed to the creation of value when their business activities are highly integrated. Third, in a digital transaction with no physical presence in a market jurisdiction, the important risk is usually owed by non-resident companies, and the profit split method takes into account the circumstances of both parties, but in the case of digital transactions, certain modifications are required in the process of the DEMPE functions.

With regard to calculating profits for highly integrated business activities, digital transactions are a value network beyond the value chain, making it difficult to allocate profits through a single intangible, and it is difficult to apply transfer pricing rules, as described in III-1-2.

To overcome the problem of the allocation of attributable profits, it is necessary to consider the value created in cross-border transactions, including whether it is necessary to revise the current ALP or to make more comprehensive reforms, such as the formulary apportionment approach. In the revised residual profit split method shown in the Programme of Work, the difficulty to distinguish between routine profit and non-routine profit is pointed out.[49] Furthermore, it is not easy to calculate the non-routine profits of MNEs and separate them into marketing intangibles and other intangibles (e.g., trading intangibles), and to calculate the amount to allocate residual profits to each jurisdiction. With considering digital trading and marketing activities carried out in developing countries, there are concerns about the feasibility of a precise residual profit split method. In addition, it is not easy to set allocation percentages, both in user participation and marketing intangibles proposals, a simple way should be considered. In addition, if profit allocation is carried out based on

[48] OECD (2019b), para.24-25.

[49] Watanabe (2019) points out that what constitutes a routine profit and what constitutes a non-routine profit is also an important factor, but the separation is not always clear. Furthermore, it needs caution that the allocation of non-routine benefits is assumed to be a formulary approach. It can certainly be understood from the viewpoint of enforceability. However, the transfer pricing approach and the formulary apportionment are theoretically considered different. (p.70)

global profits and the attributable profit of one jurisdiction is corrected, it could create double taxation and influence of the correction spreads to all related countries. To prevent double taxation, it is necessary to clarify the allocation criteria and to have a common understanding of each country, and a simpler method is necessary. The formulary apportionment approach should be considered. The integrated approach of the Secretariat's Proposal is a method of allocating excess profits based on sales, etc., in market jurisdiction even if transactions are a value network through combined activities other than basic profits, and it can be said that it is a proposal with consideration of implementation.

III-1-5. Allocation of attributable profits by formulary apportionment

When modifying the nexus rules to expand to business activities in a market jurisdiction with no physical presences, and using the profit split method to allocate the attributable profit to the nexus, the indicator of the profit would reflect the unique and valuable contributions of each related person. The unique and valuable contributions of the nexus include contributions such as content and data provided by users in market jurisdictions. On the other hand, it is not easy to calculate the non-routine profits of multinational companies. In addition to the difficulty of calculating global profits, it is also difficult to calculate the total profit to a large number of jurisdictions, and the calculation of the amount of the residual profit generated in many jurisdictions. Proposals for user participation and marketing intangibles contain difficulty to set the allocation criteria. The Public Consultation Document also points out complex calculation processes as a challenge, and the possibility of an approach to allocating non-routine profits by a certain formula in the proposal of marketing intangibles and user participation could be considered.[50]

Even if profits are allocated by a certain formula, when the factor of the formula allocation is not clear, each jurisdiction may be taxed by the idea that it is advantageous to the jurisdiction, and the risk of double taxation and multiple taxation can occur. Factors of formulary allocation should be clear from the viewpoint of predictability, administrative burden on implementation, and prevention of double taxation.

Current transfer pricing rules analyze the roles, functions, assets, human contributions, etc. In addition to these, the method of calculating the attributable profit to the nexus under the new rules needs functional analysis including the value of the content generated by users, and weight of profit allocation indicators. A simple method to calculate is desirable. In addition, it may be worthy of consideration to limit the target to large MNE groups, or to make calculation methods depending on the size of companies and kinds of transactions with considering the compliance costs of companies and the enforcement in developing countries in particular. The integrated approach of the Secretariat's Proposal proposes a calculation method by allocating non-routine profits by sales, etc., generated in each jurisdiction with setting a certain threshold, which reduces the compliance cost of companies, secures predictability, and prevents double taxation, and it is a realistic approach from the

[50] OECD (2019b), para.27,47.

viewpoint of implementation.

III-2. Enforcement issues - information, tax filing and payment, tax audit and collection, and prevention of double taxation

There are also challenges in the enforcement of taxation on the digital economy to ensure the effectiveness of taxation by ensuring proper tax filing and payment by companies that do not have physical presence in a market jurisdiction, and information filing on the requirements to be the nexus. In addition, from the viewpoint of corporate compliance costs and prevention of double taxation, the calculation and allocation of attributable profits to the nexus include clear nexus requirements and profit allocation keys, effective multilateral mutual agreement procedures, and mandatory arbitration. The following examines these enforcement issues.

III-2-1. Information of nexus requirements

The 3 OECD Proposals and integrated approach recognize the nexus equivalent to a PE and tax the profits attributable to the following elements with market jurisdictions:

(i) Requirement in the user participation proposal

Profits are taxed based on the number of clicks and online contracts by jurisdiction and consumers' online contracts and service usage.

(ii) Requirement in the marketing intangibles proposal

Investments and marketing activities that strengthen brand or increase customers in a market jurisdiction are carried out, and if sales accordingly occur in that jurisdiction, a portion of the profit is taxed. Customer data, customer relationships, customer lists from activities targeting customers and users in market jurisdiction are also included in marketing intangibles.

(iii) Requirement in the SEP proposal

When the market jurisdiction has an important and persistent nexus (certain sales, local domain names, local digital platforms, number of users, number of contracts concluded through digital platforms, etc.), income attributable to it is taxed.

(iv) Requirement in the integrated approach

For a business that earns revenue from consumers, a portion of non-routine profits is allocated to each market jurisdiction as a key indicator and taxed on the profits.

In order to properly enforce taxation on business that does not have a physical presence or have only limited-risk distributors in the market jurisdiction, the tax authorities must be able to obtain information about the requirement of the nexus. In digital transactions, a non-resident company manages the platform, the number of accesses to the platform, and the information of the threshold that becomes a requirement to constitute a digital nexus such as the number of users.

It is necessary that the tax authorities are available and can be verified on the information of the total sales of the MNE group and the sales in the market jurisdiction. When the amount of sales is an indicator, the integrated approach (Amount A) allocates deemed residual profits of MNEs, and total profits are only available to MNEs. It is yet to be determined whether the profit will be the whole of the MNE group or each business line.[51] In the case of profits for each business line, revenue and expenses must be calculated after clarifying the business lines, and the problem of the allocation of common expenses will arise.

Nexus requirements and profit allocation keys must be objective and verifiable by each tax authority. In addition, systems such as a registration system to market jurisdiction and information exchange among them are required. For example, if each jurisdiction levies taxes on the calculation from global profits based on each element, it is necessary for each jurisdiction to obtain global elements and elements of its own, and the exchange of information will enable each jurisdiction to obtain the necessary information. The modified residual profit split method will also require information on the overall profits of the group of digital business companies, information on allocating residual profits, and information of profit in each segment.

The Public Consultation Document states the possibility of adding the necessary information to the country-by-country report (hereafter “CbCR”) and utilizing the exchanging information mechanism.[52] In response, there is a comment from Keidanren that “suggested use of additional data in CbCR is inconsistent with the stated purpose of CbCR, which is high-level risk assessment. Business-line data can hardly be deemed to be country-by-country data.”[53] However, a framework for exchange of information on nexus requirements and profit allocation under the new rules is necessary. There may be an idea of alternatives by utilizing multilateral APA (advanced pricing agreement). The matters described in the CbCR include income and profits of each jurisdiction of the MNE group. It is necessary to make it a framework for sharing information that is an indicator of the requirements for the nexus and an indicator of profit allocation considering the burden on companies.

III-2-2. Tax filing, payment, tax audit and collection

If the nexus rules are amended to be taxed in the market jurisdiction, the accuracy of the information must be verified in order to ensure proper tax filing and tax payments in the market jurisdiction by non-resident companies with no physical presences, along with the acquisition of the aforementioned information by tax authorities. Such information is often held by non-resident companies that conduct business through the Internet without physical presence, and verification by tax authorities is difficult. It is a challenge how to conduct tax audits and ensure tax collection, how the tax authorities obtain transaction information, and confirm whether it meets the requirements of the filing obligation.

The Secretariat’s Proposal calculates the amount of profits in Amount A based on the profits of the MNE group with consolidated financial statements based on the Generally Accepted Accounting Principles (GAAP) or the International Financial Reporting Standards

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51 OECD (2019d), para.51.
52 OECD (2019b), para.85.
53 Keidanren (2019a), 2(3).

(IFRS) in the jurisdiction where the headquarters of the MNE group are located. According to this approach, it can be calculated without taking into account differences in accounting rules in each jurisdiction and has advantages of reducing compliance costs.

It is also possible to take advantage of the same mechanism as the VAT registration system for cross-border transactions for reliable tax collection. The OECD VAT/GST guidelines[54] propose a simplified registration scheme for B2C transactions, which requires them to be less burdensome for foreign business. It is a mechanism that a non-resident company registers with the market jurisdiction and pays taxes. The OECD Final Report outlines enforcement challenges, and the precise application of income thresholds will depend on the jurisdiction's ability to identify and measure remote sales of non-resident companies, and it is cited as one of the approaches to implementing mandatory registration.[55] However, even in the VAT registration system, proper tax filing largely relies on voluntary compliance of businesses, and even if the registration system is introduced, enforcement problems such as tax audits, tax collection, and obtaining necessary information will remain. In addition, if a formulary apportionment is agreed as the integrated approach of the Secretariat's Proposal from the viewpoint of reducing compliance costs, developing a one-stop shop mechanism in which foreign taxpayers file in one country and the amount of tax paid is adjusted and distributed to other related countries could be worth considering. The EU has introduced such a mechanism in the declaration procedure of providing electronic services for VAT. Under this mechanism, the parent company of MNE groups register and file tax returns in one country where the parent company is located and allocating taxes from the jurisdiction of residence to each market jurisdiction based on a formula.

If each jurisdiction separately conducts tax audits to the nexus operated by non-resident companies, there is a possibility of an increase in the burden on taxpayers and risk of double taxation. If the audit corrects the attributable profit or tax amount of one jurisdiction, it may influence the amount of attributable profits of other jurisdictions. For an effective multilateral APA (Advanced Pricing Agreement), the ICAP (International Compliance Assurance Program, hereafter "ICAP")[56] and joint tax audits by tax authorities should be considered.

Without conducting effective tax audits and collection under the new rules mean the filing and payment of the nexus with no physical presence in the market jurisdiction under the new rules will rely on voluntary compliance of non-resident companies. The enforceability is also an indispensable issue in setting the requirements that make up the nexus.

III-2-3. Compliance costs and preventing double taxation

Comments to the Public Consultation Document have raised concerns about an increase in compliance costs and the possibility of double taxation. In particular, considering excessive compliance costs for small and medium-sized enterprises and companies with little

[54] OECD (2017b).
[55] OECD (2015), para.278.
[56] ICAP is a pilot program in which tax authorities conduct risk assessments of multinational companies to ensure tax treatment.

sales in market jurisdiction, it should also be considered to set a higher threshold subject to taxation and limit the scope of taxation to only large MNE groups. The threshold criteria should be set considering the balance between fairness of taxation and the burden on compliance costs.

Although the Secretariat's Proposal includes many implementation and enforcement perspectives, there remain unclear points. For instance, the definition of a "consumer-facing business," the requirements of the calculation and allocation method of attributable profit to the nexus, whether the profit is from the entire MNE group or each business segment, the method to calculate profit of each business with allocation of common expenses, and the like. Regarding the definition of consumer-facing business, Keidanren's comment to the Secretariat's Proposal states that "(i)t is imperative that the meaning of consumer-facing business is defined clearly and precisely."[57] Business at OECD also points out clarity of the application with example cases bellow:[58]

- A semiconductor may be manufactured by a taxpayer in one country and incorporated elsewhere by an unrelated party in to a new consumer device, such as a smart phone or computer.
- In the energy sector, consumer sales can exist but are very dependent on local infrastructure and often regulated.···as the energy supplier could be subject to price regulation, there might be no additional profit from those elements.

The Public Consultation Document states that further considerations are required to address concerns about the implementation of the proposals and prevent double taxation. The proposal requires strong dispute prevention and resolution components along with simplicity. These include improved multilateral risk assessment procedures including the current ICAP, to multilateral advance pricing agreement programs, and joint audit programs.[59] The challenge is to implement them. It can be said that the use of ICAP does not work when targeting a large number of enterprises, and it does not work for small countries with limited human resources.[60] The high threshold and limited number of corporations which the new rule applies to will increase the possibility to use the ICAP.

Other issues include mandatory arbitration and the efficiency of mutual agreement procedures, including APA. The unified approach also requires consideration of multilateral double taxation coordination mechanisms. Since some countries do not agree to mandatory arbitration, it is desirable to take preventive measures in order to reduce disputes, and agreement in advance is desired, and an efficient framework is required.

In order to implement the new rules, it is necessary to revise tax treaties. The Public Consultation Document states the necessity to revise the definition of PE, and the profit allocation rules between related companies or branches.[61] Instead of revision of each tax treaty,

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[57] Keidanren (2019b), 2(1).
[58] Business at OECD (2019b), para.23.
[59] OECD (2019b), para.84.
[60] Herzfeld (2019), p.186.
[61] OECD (2019b), para.82.

developing the Multilateral Instrument (MLI) could be a realistic option. The Secretariat's Proposal shows the need for treaty revision and the need for all jurisdictions to implement at the same time to ensure level-playing fields.[62] The Programme of Work indicates an amendment to the MLI and a new multilateral treaty.[63] However, not all the countries participate in the current MLI, so it seems necessary to conclude another multilateral treaty.

III-2-4. Withholding tax

Withholding tax systems have been introduced in many transactions by foreign companies that do not have PE in a jurisdiction. If withholding tax works well, it will be an effective way in taxation on the digital economy to reduce collection and compliance costs. The Public Consultation Document states that "to improve compliance, the use of principle-based administrative simplifications and collection mechanisms, which could include new or existing withholding mechanisms as an enforcement rule supporting the application of the proposals, could also be explored, provided this mechanism does not result in double taxation."[64] With regard to withholding tax, (i) based on difficulty to separate the digital economy from the economy as a whole and which transactions are subject to withholding, (ii) the difficulty of imposing withholding obligation on customers, especially non-business consumers, and (iii) withholding tax is a tax on the total amount, and the transaction itself may not work in business with low margins, and (iv) there is a possibility of competitive imbalance between domestic and foreign suppliers in the same jurisdiction. Comments submitted to the Public Consultation Document are also concerned that "there have been cases of inappropriate refunds of withholding tax in some countries. In practice, it usually takes several years before a refund is received."[65] As for B2C transactions, collecting a small amount of withholding tax from a large number of individual consumers is not realistic, considering the diversity of digital transactions and the difficulty of withholding in B2C transactions, due to significant costs and difficulty in enforcement.[66]

IV. Conclusion

This article examined the issues of implementation and enforcement regarding the taxation on the digital economy. Chapter II describes the assessment of the options considered in the OECD, including implementation perspectives. Chapter III focuses on the 3 OECD Proposals and the integrated approach, considering implementation and enforcement perspectives.

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62 OECD (2019d), para.40.
63 OECD (2019c), para.49, Box 3.3.
64 OECD (2019b), para.86.
65 Keidanren (2019a), 2(1)3.
66 It should be noted that the EU will deem marketplaces and online platforms as sellers to customers from 2021, and impose obligations on the collection and payment of VAT. We should pay close attention to how to collect direct taxes effectively on future digital transactions. OECD also published the report which recommend the mechanism to impose certain responsibility for tax collections of VAT of online sales on digital platforms. (OECD, "The Role of Digital Platforms in the Collection of VAT/GST on Online Sales," March 2019)

An important issue in implementation is the calculation and allocation of attributable profits to the nexus, the requirements that are recognized as the nexus, and the method of calculating profits attributable to market jurisdiction and allocating the profits. It is also necessary to consider compliance costs of taxpayers, effective enforcement measures, and the prevention of double taxation, and the new rules should take into account the following implementation and enforcement issues in order to enable effective implementation.

The first is the calculation of attributable profits and the allocation of attributable profits should also be considered in a clear and equitable way to allocate global profits of MNEs, and the application of formulary apportionment that is not bound by ALP considering compliance costs and predictability. In this regard, the Integrated Approach which includes elements of formulary apportionment can be understood that it takes into account the implementation, the compliance cost of companies, and the predictability.

The second is the challenge in enforcement of information obtaining, proper tax return, tax payment, and tax audit and collection. To ensure proper filing and tax payment for companies that do not have physical presence, information on the requirements and profit allocation indicators that make up the nexus must be obtained by each tax authority. The nexus requirements and profit allocation indicators require objectivity and tax authorities can verify them. The efficient mechanism for registration to market jurisdiction and exchange of information among tax authorities is necessary.

The third is the prevention of double taxation. In order to prevent and eliminate double taxation, it is necessary to ensure effective dispute resolution mechanisms, a common understanding of each jurisdiction regarding them, effective multilateral mutual agreement procedures, and mandatory arbitration.

The proposal of the integrated approach includes a lot of practical and enforcement issues, and it needs the agreement of each jurisdiction. This proposal, as an exception to the principle that there is no taxation without PE, is to certify the nexus even if there is no physical presence, and to establish a profit allocation method by regular allocation as an exception to ALP, which means that the international tax system enters a new phase. The taxation of the expanding digital economy in the future greatly affects the direction of the international taxation system for the future, and an early consensus is expected along with sufficient discussion.

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