The attached document is submitted FOR DISCUSSION/APPROVAL under Item IV of the Draft Agenda of the Sixth Meeting of the Working Party No. 9 Sub-group on Electronic Commerce, to be held on 21-22 September 2000.

Delegates are invited to note that this document is the FIRST PRELIMINARY DRAFT of the Report that the Working Party No. 9 on Consumption Taxes will be submitting to the Committee on Fiscal Affairs in January 2001. Sections IV and V of this Report are to follow, and the Report, as attached, is due to undergo further discussion/revision at the September meeting of the Sub-group.

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NOTE BY THE SECRETARIAT

1. This document is a first preliminary draft of the Report that the Working Party No. 9 on Consumption Taxes will be submitting to the Committee on Fiscal Affairs (CFA) in January 2001. The WP9 Sub-group on Electronic Commerce is charged with preparing the Report (drawing upon its own work, and taking account of the dialogue with the business community and non-members) for approval at the next meeting of Working Party No. 9 on 30 November-1 December 2000. At its meetings in September and October the Sub-group will be discussing the draft in detail before it is submitted to Working Party No. 9.

2. This document is designed to give Delegations a sense for the proposed overall structure of the report, and includes some (but not yet all) draft material for inclusion in the Report.

Action required

3. At its meeting on 21-22 September 2000, the Sub-group is invited:
   
   a) To agree the overall structure and coverage of the draft Report.
   
   b) To focus in particular on Section II (main conclusions and draft recommendations), and, as far as possible, agree the coverage and content of this Section; and

   c) To comment on the other draft material that is included in this version.

4. In drafting Section II of the Report, the Secretariat has attempted to summarise the main conclusions and draft recommendations that have emerged from the Sub-group’s work. The aim is to provide the CFA with a straightforward, high-level summary of the key conclusions and recommendations from the Working Party. The remainder of the Report (Section III in particular) will then include the necessary supporting analysis and more technical detail.
CONSUMPTION TAX ASPECTS OF ELECTRONIC COMMERCE:
A REPORT FROM WORKING PARTY NO. 9 ON CONSUMPTION TAXES
TO THE COMMITTEE ON FISCAL AFFAIRS

DRAFT OUTLINE

I. Context and rationale for concerted approach

II. Main conclusions and recommendations
   - Draft guidelines on operation of place of consumption principle.
   - Recommendations on collection mechanism options, and administration questions.
   - Opportunities for simplification, with recommendations.

III. Supporting analysis and arguments
   - Place of consumption:
     • Thinking behind terms of guidelines.
     • Verification of normal place of residence.
   - Collection mechanisms:
     • Analysis of options.
     • Technology dimension.
     • Compliance/enforcement issues.
     • Role of administration co-operation and information exchange.
   - Simplification.

IV. Areas for further work

V. Evaluation of TAG process
I. CONTEXT AND RATIONALE FOR CONCERTED APPROACH

Context

1. The Committee on Fiscal Affairs’ current Programme of Work addressing the taxation aspects of electronic commerce is firmly based on the Taxation Framework Conditions.

2. It is perhaps worth recalling the main conclusions of the Framework Conditions:
   - The taxation principles that guide governments in relation to conventional commerce should be applied to e-commerce.
   - These principles can be applied through existing tax rules, and therefore any new or revised administrative measures in the framework of those rules should be directed toward the application of existing taxation principles and should not be intended to impose a discriminatory tax treatment on e-commerce.
   - The application of these principles should maintain fiscal sovereignty of countries, ensure a fair sharing of the tax base between countries, and avoid double and unintentional non-taxation; and
   - The process of implementing these principles should involve an intensified dialogue with business, with non-business taxpayer groups, and with non-OECD member economies.

3. In the field of consumption taxes, these elements of the Framework Conditions were developed as follows:
   - Rules for the consumption taxation of cross-border trade should result in taxation in the jurisdiction where consumption takes place and an international consensus should be sought on the circumstances under which supplies are held to be consumed in a jurisdiction.
   - For the purpose of consumption taxes, the supply of digitised products should not be treated as a supply of goods.
   - Where business and other organisations within a country acquire services and intangible property from suppliers outside the country, countries should examine the use of reverse charge, self-assessment or other equivalent mechanisms where this would give immediate protection of their revenue base and of the competitiveness of domestic suppliers.
   - Countries should ensure that appropriate systems are developed in co-operation with the WCO and in consultation with carriers and other interested parties to collect tax on the importation of physical goods, and that such systems do not unduly impede revenue collection and the efficient delivery of products to consumers.
**Working Party No. 9 Programme of Work**

4. As the successor to the Special Sessions on Consumption Taxes, the Working Party No. 9 on Consumption Taxes, created in July 1998\(^1\) concentrates its work on those areas of VAT and other consumption taxes where international co-operation is necessary for ensuring the effective administration of taxation, notably in response to the impact of the Communications Revolution\(^2\).

5. Following the 1998 Ottawa Ministerial Conference, a new work programme on consumption tax aspects of electronic commerce was established by Working Party No. 9\(^3\) and approved by the Committee on Fiscal Affairs in January 1999\(^4\), as part of its consolidated work programme on electronic commerce.

**Working Party No. 9 Sub-Group on Electronic Commerce**

6. To progress these aspects of the post-Ottawa agenda, Working Party No. 9 created\(^5\) a Sub-group on Electronic Commerce\(^6\). Working to a mandate which the Working Party No. 9 approved in February 1999\(^7\), the Sub-group focussed on three major areas of analysis: the practical applications of the principle of taxation in the place of consumption; the analysis of different tax collection mechanisms; and the examination of the possibilities for taxpayer and consumer identification, access to information and administrative simplification.

7. The Sub-group also benefited from the input of two of the five Technical Advisory Groups (TAGs), one considering tax policy and administrative issues (Consumption Tax TAG), the other jointly supervised with the Forum on Strategic Management Sub-group on Electronic Commerce, on technology issues (Technology TAG).

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1. DAFFE/CFA/M(98)2.
2. DAFFE/CFA(97)21 and DAFFE/CFA(97)21/CORR1.
3. DAFFE/CFA/WP9(99)1/REV1.
4. DAFFE/CFA/M(99)1.
5. DAFFE/CFA/WP9(99)2.
6. The members of the Sub-group are: Australia, Canada (Chair), France, Germany, Ireland, Italy, Japan, Korea, the Netherlands, Sweden, Switzerland, United Kingdom, United States, European Commission and Singapore.
II. MAIN CONCLUSIONS AND RECOMMENDATIONS

8. Based on the detailed analytical work undertaken by its Sub-group on Electronic Commerce (“Sub-group”), the main conclusions and recommendations of Working Party No. 9, at this stage of the process, are as follows:

i) That the practical implementation of the Ottawa Taxation Framework Conditions, as they relate to consumption taxation of international cross-border trade, can indeed be successfully pursued through the application of the principle of taxation in the place of consumption.

ii) That, whereas existing arrangements in relation to international trade in goods (for example, collection of tax due at importation) adequately meet the needs of governments, there is a specific need to address the international treatment of trade in services and intangible products, according to the following principles:

   a) The application of the Ottawa Taxation Framework Conditions to international trade in services and intangible products can best be achieved by: (1) defining the principle of taxation in the place of consumption more clearly, and (2) identifying collection mechanisms that can support the practical operation of that principle.

   b) This principle should therefore be expressed in the form of OECD “Guidelines on the Place of Consumption of Services Traded Internationally”.

   c) Such guidelines should define the place of consumption (and so of taxation) by reference, for business-to-business transactions, to the location of the recipient’s business presence, and, for business-to-private consumer transactions, by reference to the recipient’s usual place of residence. [The Working Party has developed a draft of such guidelines; see Annex x.]

   d) At this stage, the most viable collection mechanisms to support the practical application of such guidelines probably lie:

      - In a self-assessment mechanism for business-to-business transactions; and

      - In some form of registration-based mechanism for business-to-private consumer transactions. The latter has its shortcomings (see iv-a below) and there is a recognised need to promote simplified approaches to registration of non-resident suppliers.

   e) That, particularly in the context of collection mechanisms, technology-based options in the medium to long-term (of which there are several variants, including some which would rely on a trusted third party) offer genuine potential. More detailed examination of this potential, and how best governments might support and utilise it, is an important field of further work which the Working Party recommends that it should undertaken in 2001.
iii) That the dramatic growth in cross-border e-commerce presents new international challenges to indirect tax authorities, underlining, in particular, the need for substantially greater levels of international administrative co-operation. Drawing upon work undertaken to date, the Working Party recognises the need to focus specifically upon this issue during 2001 so as to identify practical steps that can be taken and/or promoted to enhance such administrative co-operation.

iv) That the dialogue with the business community, as part of the post-Ottawa process, has proved valuable and fruitful; and that such dialogue should certainly continue as part of ongoing work on selected issues. Key conclusions from the process to date are:

a) That the business community is broadly supportive of the emerging conclusions in this Report (particularly in relation to the definition of place of consumption and the possible use of self-assessment mechanisms) but remains concerned about the potential compliance burdens that a registration model for business-to-private consumer transactions might entail, and remains keen to see some practical steps toward simplification of at least some elements of the international indirect tax regime, for example, facilitation of cross-border electronic invoicing; and

b) That therefore an important element of maintaining a constructive relationship with the business community is governments’ willingness to address seriously the issue of simplification. Here too the Working Party recommends that it undertake further work (in close co-operation with the business community) to identify simplification options and initiatives that require and merit co-ordinated international action to facilitate their effective operation.

v) That there remain several fields of work which merit further more detailed examination. These include:

a) Practical means of verification of the declared place of residence in business-to-consumer transactions (in the context of ii-c above).

b) The relative feasibility of technology-based collection mechanisms (ii-e above).

c) Practical measures to promote international administrative co-operation (iii above).

d) Simplification options and initiatives (iv-b above).

e) The longer term possibility of the evolution of technology-based mechanisms toward systems that would deal with not only services and intangible products but a larger basket of transactions, and so provide a more comprehensive solution for both business and governments.

vi) That, subject to the CFA’s approval, this report [or a summary of it] should be published, inviting public comment from the wider international business and non-member community, on the emerging conclusions and recommendations that it contains. Taking account of such additional input, and in the light of further dialogue with business, Working Party No. 9 would then put definitive proposals and recommendations to the Committee in June 2001.
III. SUPPORTING ANALYSIS AND ARGUMENTS

Introduction

9. The discussion in this section relates only to consumption taxes at the national level. Sub-national or multi-national tax regimes were recognised but not considered in detail. Attention may be given to these issues, in the international context, by authorities responsible for sub and multi-national consumption tax systems.

10. This report focuses on cross-border supplies of services and intangible products, on the basis that the rules applicable to goods need no further development or clarification by the Working Party No. 9 at this stage.

A. Place of consumption

Context

11. The Taxation Framework Conditions concluded that the consumption tax rules for cross-border trade should result in taxation in the jurisdiction in which consumption takes place. Taxation at the place of consumption promotes certainty and prevents double taxation or unintentional non-taxation where two jurisdictions employ non-compatible place of taxation rules (i.e. at source and destination). Equally important, tax at the place of consumption will ensure neutrality within and amongst conventional and electronic forms of commerce.

12. The Taxation Framework Conditions also directed revenue authorities to work through the OECD to identify concrete steps to implement the taxation framework conditions and to consider the feasibility and practicality of those steps, including: reaching agreement on a definition of the place of consumption, on place of taxation rules, and internationally compatible definitions of services and intangible property. The result of this analysis has been distilled into guidelines for the place of consumption for services and intangible property.

Analysis

13. The place of consumption for the cross-border supply of traditional tangible property (e.g. a book) can be based on the recipient’s address for delivery. If tax is not otherwise payable then appropriate customs systems can collect tax on the importation of physical goods without unduly impeding revenue collection and the efficient delivery of products to consumers. Moreover, due diligence by the supplier and verification by revenue authorities is relatively simple.

14. In contrast, where products are digitally downloaded or electronically delivered via the Internet, however, there is no physical delivery address for the supplier to rely upon and therefore has the potential to create difficulties for revenue authorities as well as for suppliers (e.g. proving “exports”).
15. Services may be broadly categorised as those that are either tangible, where the place of consumption can be readily identified, or those that are intangible, where the place of consumption may be uncertain.

16. Examples of tangible services include services relating to specific areas of land, including buildings (estate agents, hotel accommodation, and architects); transport (including related services such as handling); and services relating to physical performance (sporting events, concerts, hairdressing services, and restaurants). Each of these services are either physically performed or take place at an identifiable location and may therefore be said to be consumed at that location. Therefore, determining the place of consumption for tangible services can often be defined as the jurisdiction where the service is actually performed.

17. Examples of intangible services include: consultancy, accountancy, legal and other “intellectual” services; banking and financial transactions; advertising; transfers of copyright; provision of information; data processing; broadcasting; and telecommunications services. These services cannot readily be seen to be physically performed or to take place at a particular location and are often deemed to be consumed where the provider or customer is located. Any services capable of electronic delivery (including many of those above) are similarly intangible and therefore represent a challenge in defining a practical consumption test. Others types of supplies will, no doubt, be developed as technology advances.

18. Much of the Sub-group’s work to date has concentrated on the issue of taxing intangible services property set against the Framework Conditions of taxation at the place of consumption. Taxation at the place of consumption should, from an international point of view, lead to an equal burden of consumption taxes on the same products in the same market. The business members of the Consumption Tax TAG agreed on this principle. With that perspective in mind, to get an efficient definition of consumption was key to this task.

**Pure definition of consumption**

19. Under a pure consumption test, intangible services would be defined as consumed in the place where the customer actually consumes or uses the services (irrespective of the contract, payment, beneficial interest, or the location of the supplier or customer at the time of the supply). With a pure definition of consumption tax should, in principle, accrue to the country in which the actual consumption takes place – for all transactions, whether business-to-business (B2B) or business-to-private consumer.

20. However, the global nature of the new economy, combined with the mobility of present day communications, puts in question the practicability of a pure consumption test. For example, a US business contracts with a UK business customer to provide consultant services to its branches in Japan. Consumption could be said to take place in the United Kingdom where the customer’s headquarters is located because the services are of benefit to the whole business, or alternatively, consumption could take place at each branch in Japan because the services are actually used there. As a second example: US business contracts with a UK business to provide electronically delivered services. The staff of the UK business use portable computers and receive the services all over the world. Consumption would take place in whichever country the staff member actually uses the services.

21. Obviously, a pure place of consumption test would result in a significant, and in some cases an impossible, compliance burden for vendors (e.g. determining the exact place consumption and valuing consumption in multiple jurisdictions) and administrative difficulties for tax authorities (i.e. identifying and verifying taxable supplies).
Practical alternatives for defining place of consumption

22. The Sub-group confirmed that the required approach should take account of the consumption principle while both ensuring certainty for businesses and tax administrations and avoiding distortion of competition through double or unintentional non-taxation. In particular, burdens on business must be kept to a minimum and the tax should allow for easy and efficient collection by tax administrations. Unless burdens are kept to a minimum, it is unlikely that compliance will follow.

23. For B2B transactions, the Sub-group reviewed a number of alternatives including the location of the supplier’s profit generating operations, place of contract, location of the customer, or location of the supplier or the recipient’s business. In the latter case, the location, or “business presence”, of the recipient would be an establishment with the human or technical resources required to receive and utilise the supply. This might include the headquarters, a branch, a registered office, or a seat of economic activity. Yet another approach would be to tax services where they are performed, but where they are performed in more than one place, the provider’s location would be the deemed place of taxation.

24. For business-to-consumer (B2C) transactions, a number of options were identified, including the recipient’s permanent address or usual place of residence, centre of vital interests, and where he/she is a national. The Sub-group recognised the supplier would need to be able to identify the location and tax status of his private customer with ease and certainty. It is unlikely, however, that a provider would ever have sufficient information to determine the private customer’s “centre of vital interests” or nationality.

Emerging conclusions – place of consumption

Business-to-consumer transactions

25. Working Party No. 9 concludes that a guideline setting out the consumer’s usual place of residence is the most practicable, albeit not the most theoretically pure, definition of “place of consumption” for B2C transactions. While some consumers may have more than one country of residence they should be expected to declare the country in which they spend the majority of their time. The business members of the Consumption Tax TAG considered the concept of treating the customer’s normal residence as the place of supply as a significant step in achieving neutrality between e-commerce transactions and conventional forms of transactions.

Business-to-business transactions

26. In terms of B2B transactions, Working Party No. 9 confirms the benefits of treating intangible services as consumed where the recipient has located its business presence. The business members of the Consumption Tax TAG agreed with that option, which appeared to them workable and well grounded in existing practices. Where there is a choice of locations, such as a headquarters in one country and a branch in another, the point of reference for tax purposes should be to the main location (e.g. the headquarters) unless the services are primarily used or enjoyed at another location (e.g. the branch). A ‘use or enjoyment’ test may be appropriate to ensure that the mobility of communications is not used to avoid taxes by routing services through temporary establishments in non- or low-tax jurisdictions. The business members of the Consumption Tax TAG underlined the importance of the contract in determining the applicable taxing jurisdiction.
Verification

27. Once the place of consumption for private consumers was established the Sub-group focused on the practicalities of determining and verifying this structure. It is important to stress that some type of verification is necessary even in circumstances where the intangible service or product is not subject to tax in the jurisdiction of the customer. In these cases the supplier may have to provide proof of “export” in order to relieve the supply of tax. This led to an analysis of a number of approaches/proxies for permanent address and usual place of residence including: jurisdiction of residence as declared by the recipient to the supplier; country of residence as evidenced by credit card information; a personal tax identification number declared by the recipient to the supplier; and identification of source server/Internet service providers. The options were assessed in terms of simplicity for business and consumers, certainty of application, effectiveness (i.e. whether the option would accurately reflect the place of consumption) and technological feasibility.

28. The determination of residency in the context of online transactions is not without difficulty. The actual level of verification required by tax authorities may vary depending on the nature of the transaction. In many cases a recipient will self-identify their country of residence (e.g. by way of pull-down menu); however this is unlikely to be sufficient for the purposes of tax authorities. In the short term, since most payments for online transactions are made by credit card, the issuing bank data could be envisaged as possible indicia of the jurisdiction of the consumer.

29. In the medium or longer term, as technique develops, other indicia could well emerge, such as digital certificates or use of chip cards.

B. Tax collection mechanisms

Context

30. The Taxation Framework Conditions report also led the Sub-group to develop and consider the feasibility and practicality of options to ensure the effective administration and collection of consumption taxes within the context of the new economy. The results of the Sub-group’s work in this area are set out in recommendations rather than guidelines. This reflects the fact that, unlike the place of consumption, countries may choose different collection mechanisms without creating international distortions in the marketplace.

Analysis

31. The Sub-group focused on five tax collection mechanisms, including self-assessment, registration of non-residents, tax at source and transfer, withholding by financial institutions, and technology-based solutions. Each of the collection mechanisms was evaluated in terms of its feasibility of implementation, its effectiveness in capturing imported services and intangible services and property, its compliance burden for businesses, and its administrative burden for governments.

i) Self assessment / reverse charge

32. Under a self-assessment or reverse charge system, recipients would be required to determine the tax owing on imports of services and intangible property, and to remit this amount to the domestic tax authority. Where currently in use for B2B transactions (in most of OECD countries), the system has proven
feasible, effective, and carries a low compliance and administrative burden. Self-assessment, however, has not been effective in ensuring the collection of tax on supplies made to private recipients.

33. The business members of the Consumption Tax TAG expressed their strong endorsement of “self-assessment” as a model for B2B transactions.

ii) Registration

34. Registration of non-residents obliges non-resident businesses to register in a jurisdiction and to charge, collect and remit the consumption tax to that country. For the most part this option is feasible, effective and would promote neutrality. Difficulties arise in terms of identifying non-resident suppliers, as well as in imposing registration requirements and enforcing obligations on non-residents. This option could increase the cost of tax administration (e.g. registering, auditing, collections, etc.). Registration would also impose significant compliance costs on non-resident suppliers, particularly for those making supplies in multiple jurisdictions with relatively few sales in each jurisdiction. This latter problem, however, can be resolved via thresholds.

Thresholds

35. The Sub-group studied the advantages and disadvantages of registration thresholds on the basis of competitive equity between domestic and non-domestic suppliers, and the compliance burden imposed on private sector stakeholders. The Sub-group examined three types of consumption tax thresholds: thresholds for registration, thresholds for distance selling, and thresholds for simplified taxing and/or reporting requirements.

36. Thresholds ensure that the compliance burden is eliminated where it would reduce or negate the incentive to carry on business activity, e.g. for SMEs. Thresholds may also ease compliance by excluding businesses (not necessarily small ones) on the basis that they make only a limited number of supplies into the jurisdiction. This is particularly important where the aggregate of that activity may significantly contribute to the jurisdiction’s economy. Additionally, thresholds can act to reduce the administrative burden, by permitting tax administrators to focus resources where the return is likely to be high. The principal disadvantage of registration thresholds, however, is the risk to neutrality/competitive equity between taxpayers below and above the threshold.

37. The Sub-group recognised that the threshold model is fairly well established internationally. It is likely that tax administrations will choose to take a similar approach to e-commerce. In light of this, the Sub-group recommends that Member countries accept the principle that domestic thresholds in place should apply at least as favourably to cross border e-commerce suppliers. This option is consistent with the Taxation Framework Conditions and ensures neutrality of tax treatment and competitive equity between domestic and non-domestic suppliers.

iii) Tax at source and transfer

38. The Sub-group also examined the tax at source and transfer option as a tax collection alternative that would reduce the significant compliance costs associated with the registration option. A business would collect consumption tax on “exports” to non-residents and remit the amount to their domestic revenue authority where it would be forwarded to the revenue authority in the country of consumption. The significant increase in the cost of administration, in addition to the need for international agreements
regarding enforcement, collection and revenue transfers, places the feasibility of this option in question, at least in the short to medium term.

iv) **Withholding by third parties**

39. Additionally, the Sub-group considered an entirely new system where financial intermediaries (e.g. banks, credit card companies) would be enlisted to collect consumption taxes on payments between recipients and suppliers of digital supplies. The financial intermediary would then remit the tax to the country of consumption. Adopting this system would involve significant start up costs and fundamentally change the operation of most consumption tax systems. The Sub-group recognised that the system could be effective but the question remained focused on the feasibility of shifting the onus of collection onto financial institutions.

v) **Technology-based options**

40. Finally, there was significant discussion about various technology-based solutions to tax collection. One such approach would involve the use of tamper-proof software, which would automatically calculate the tax due on a supply and remit (through a financial intermediary or a trusted third party) the tax to the destination jurisdiction. Bilateral agreements would provide for the verification by the tax authority in the source jurisdiction (on behalf of the destination jurisdiction) of the installation and operation of such software. Private sector software providers would be best positioned to develop the software. The Sub-group recognised that this type of approach in principle could be an option for the longer term, particularly as an alternative to registration.

41. The business members of the Consumption Tax TAG stressed that technology should not be relied on, of itself, to provide “solutions” to the issues facing tax authorities, although technology might assist in developing alternative tax collection mechanisms in the future. The business members of the TAG also expressed that, over the longer term, a cohesive option might emerge from a combination of the elements studied by the Sub-group. In other words, there might be a role for third parties, tax authorities in the jurisdiction of the vendor as well as technology.

**Simplified interim approach**

42. In the short to medium term, the business members of the Consumption Tax TAG felt that only the registration (B2C) and self-assessment (B2B) options were practicable, although the long-term viability of these options was questionable.

43. In relation to registration the business members of the TAG proposed a “simplified interim approach” to registration as the best short-term approach for business-to-private consumer transactions. Business TAG members argued that simplicity would be the key element in encouraging high levels of compliance. To this end they suggested (electronic) registration including only very basic data (e.g. name, address and nature of business). In addition, they stressed that the tax reporting requirements should be both simple and clear – including a straightforward calculation e.g. jurisdictional revenues x tax rate. A key aspect of the approach would be that recovery of input tax would not be available. Normal, full registration, including a full return with input tax recovery, would remain available to interested businesses. The business members of the TAG felt that if the registrant acted in good faith and demonstrated a reasonable effort to determine the country of consumption without success, the registrant should not be held liable. Similarly, they suggested tax authorities should expect good faith and the best
efforts by the business to comply with the rules, and in return the authorities should respect the reports filed by registrants.

44. Many of the Sub-group Delegates expressed concerns that the voluntary system under the proposed ‘interim approach’ – with obligations limited to “good faith” on the part of the registrant – would have implications for the credibility of the tax regime, and indeed for neutrality as between the compliant and non-compliant businesses. Nevertheless, the Sub-group saw a great deal of merit in pursuing a form of simplified registration as suggested by the business members of the TAG. More work on the specifics is required.

Emerging conclusions – tax collection mechanisms

Business-to-business transactions

45. The Sub-group welcomed the endorsement by the business members of the TAG of the self-assessment model for business-to-business transactions. Consistent with the Taxation Framework Conditions, Working Party No. 9 recommends that countries pursue a reverse charge or self-assessment system in order to protect both revenues and the competitiveness of domestic suppliers.

Business-to-consumer transactions

46. The Sub-group’s work on collection mechanisms identified the merits and the drawbacks of each of the alternative tax collection mechanisms. Moreover, the Sub-group explored possible approaches to rectifying the deficiencies with each option. Nevertheless, in the short term, for business-to-consumer transactions, there is no single option that is without significant difficulties. That said, in the short term Working Party No. 9 recommends pursuing a system of simplified registration, and in the longer term a move towards a technological solution.

Other areas which need to feature in this Section and/or require further development:

- Compliance / enforcement: Sub-group and business perspectives on compliance challenges.
- Simplification: business priorities; initial Sub-group assessment of relative feasibility of the latter.
- Administrative co-operation: its role in support of effective tax collection / compliance.
IV. AREAS FOR FURTHER WORK

47. [To follow.]
V. EVALUATION OF TAG PROCESS

60. [To follow.]