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EY Tax Week

22-25.11.2020

International tax updates

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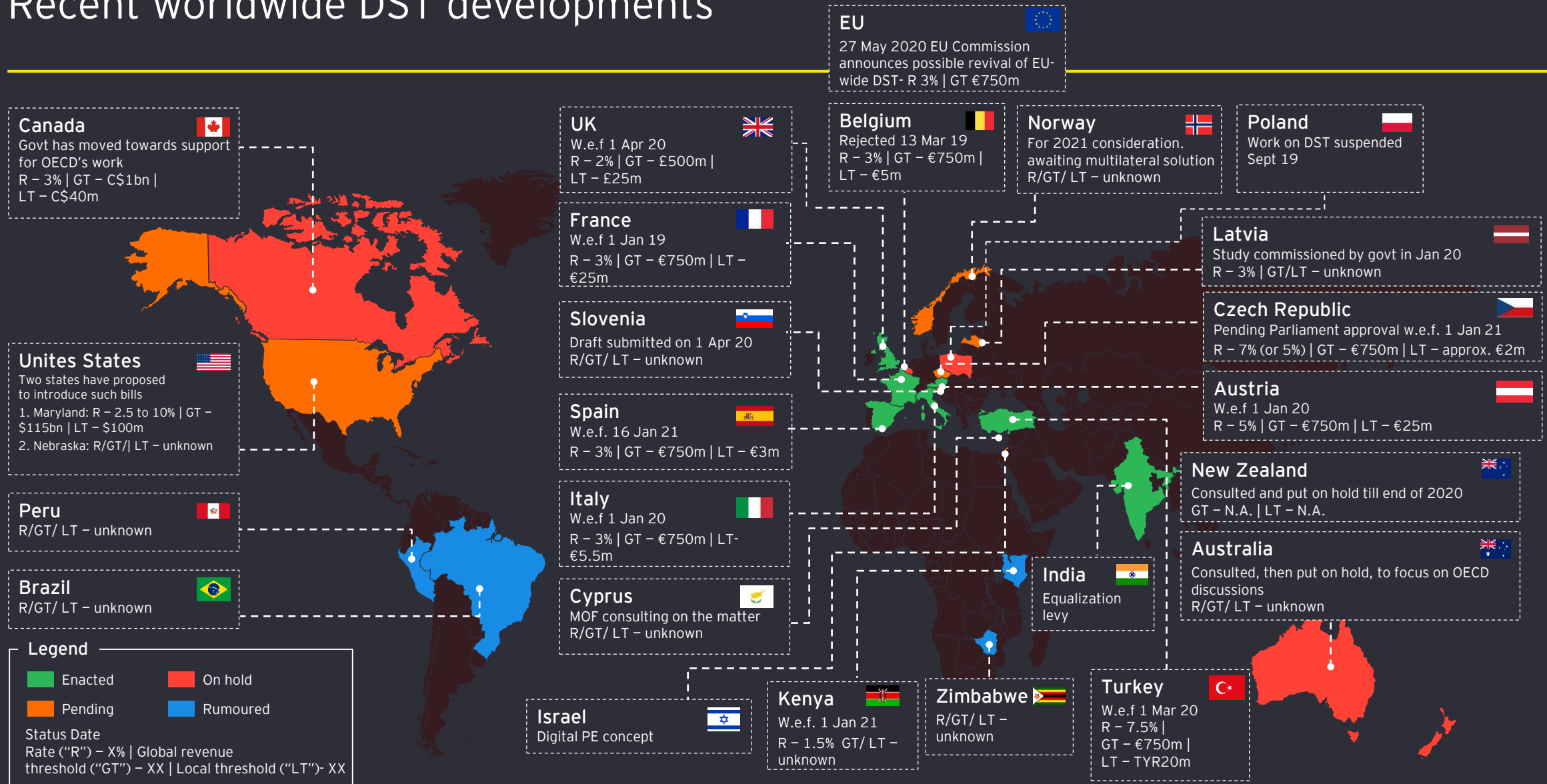
23 November 2020

Agenda

1. Digital Service Tax (“DST”) ↔ BEPS 2.0
2. Mandatory Disclosure Regime (“MDR”)

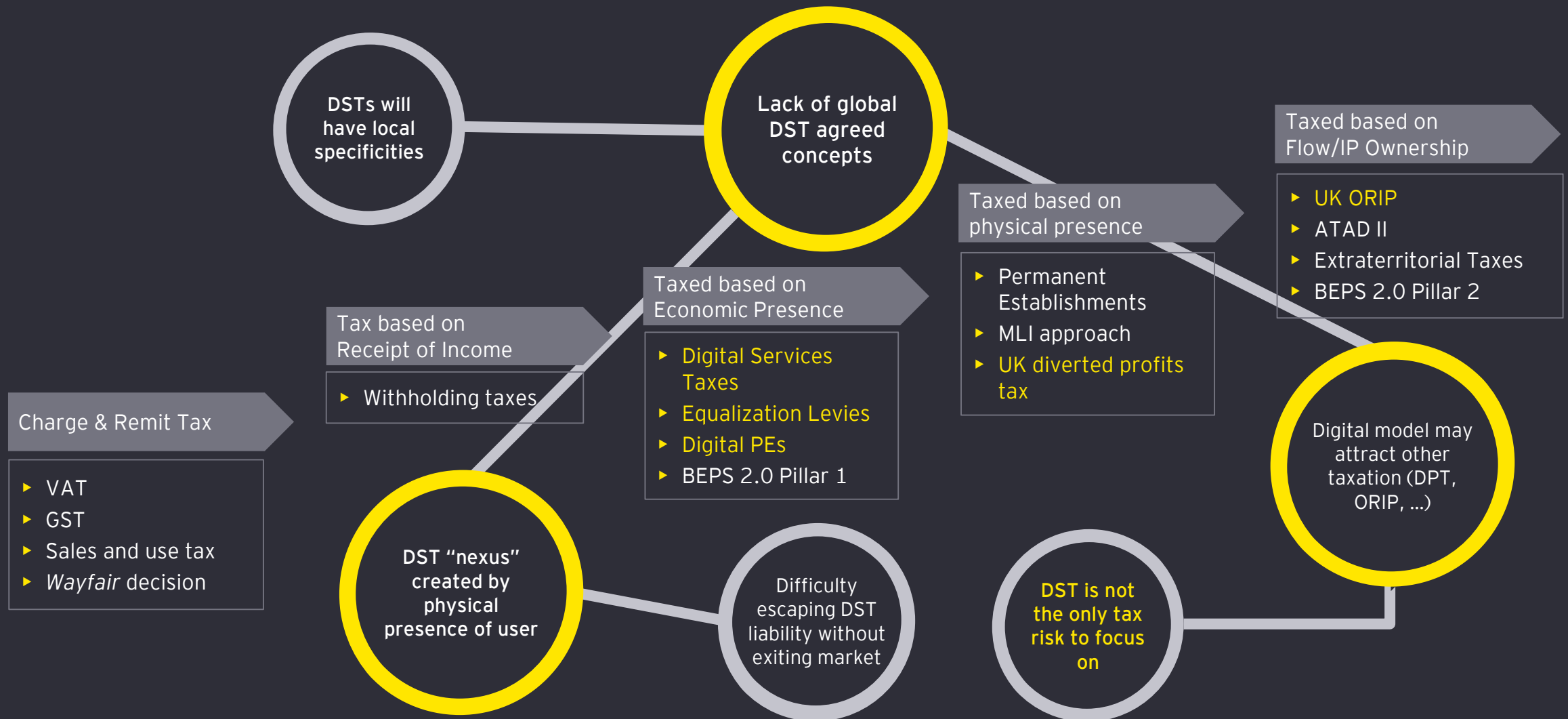
Digital Services Tax ("DST") ↔ BEPS 2.0

Recent worldwide DST developments

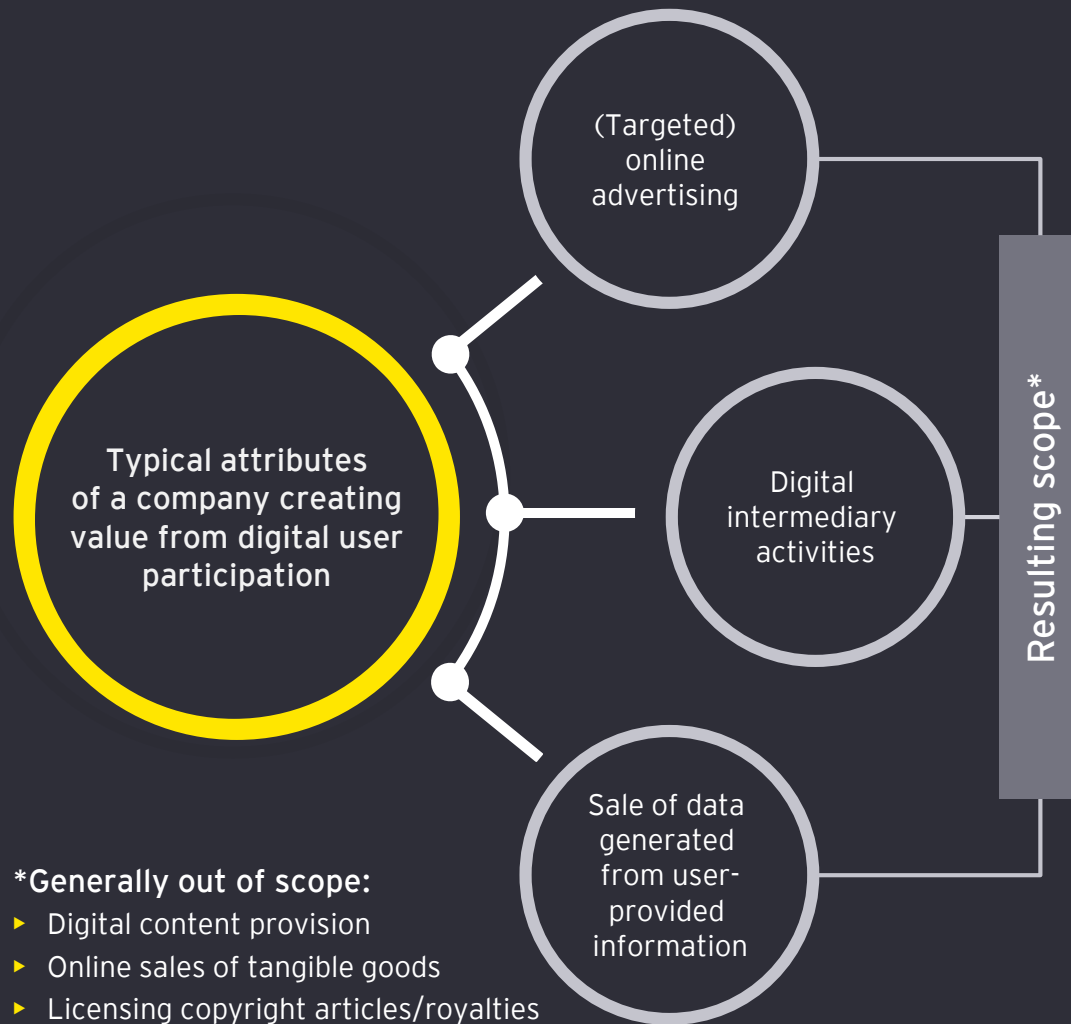


Note: The diagram above is intended for use as a high level overview of DST legislation globally. Further analysis of each tax jurisdiction's rules will be required as the legal text (e.g. definitions of GT / LT/ in-country users/ in-scope activities) will vary from one jurisdiction to another. Source: Portal one and other sources

A wide range of taxes can apply to a business that has become digital: Digital Services Taxes (DSTs) are but one type of tax based on economic nexus



Refresher: what are DSTs?

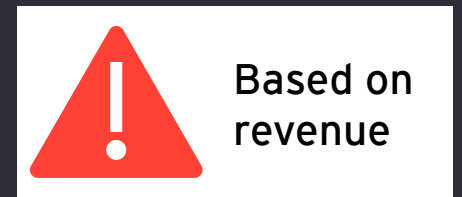


*Generally out of scope:

- ▶ Digital content provision
- ▶ Online sales of tangible goods
- ▶ Licensing copyright articles/royalties
- ▶ Digital payment processing

Digital Services Taxes (DSTs)

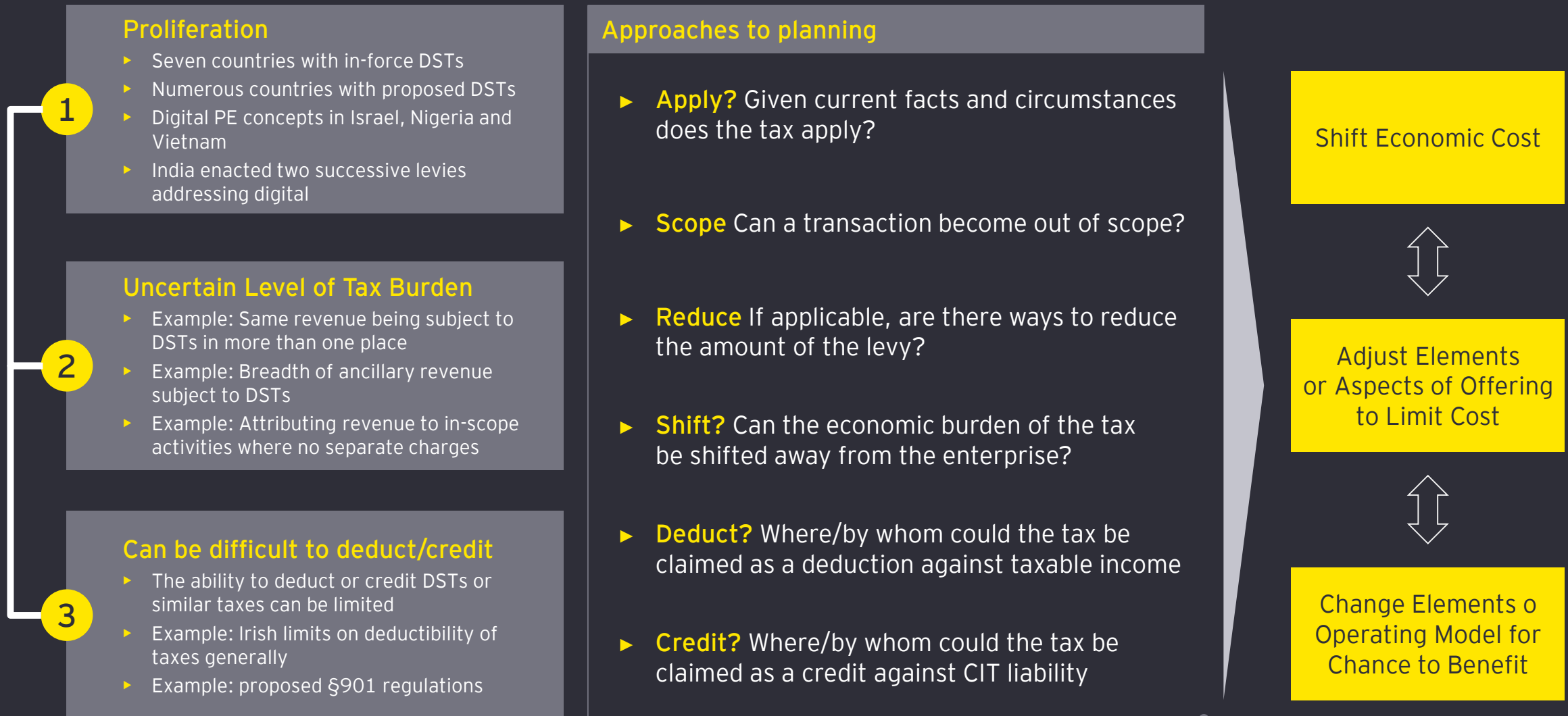
- ▶ Austria - 5%
- ▶ France - 3%
- ▶ Italy - 3%
- ▶ Spain - 3%
- ▶ Turkey - 7.5%
- ▶ UK - 2%
- ▶ Others coming online



Similar approach:

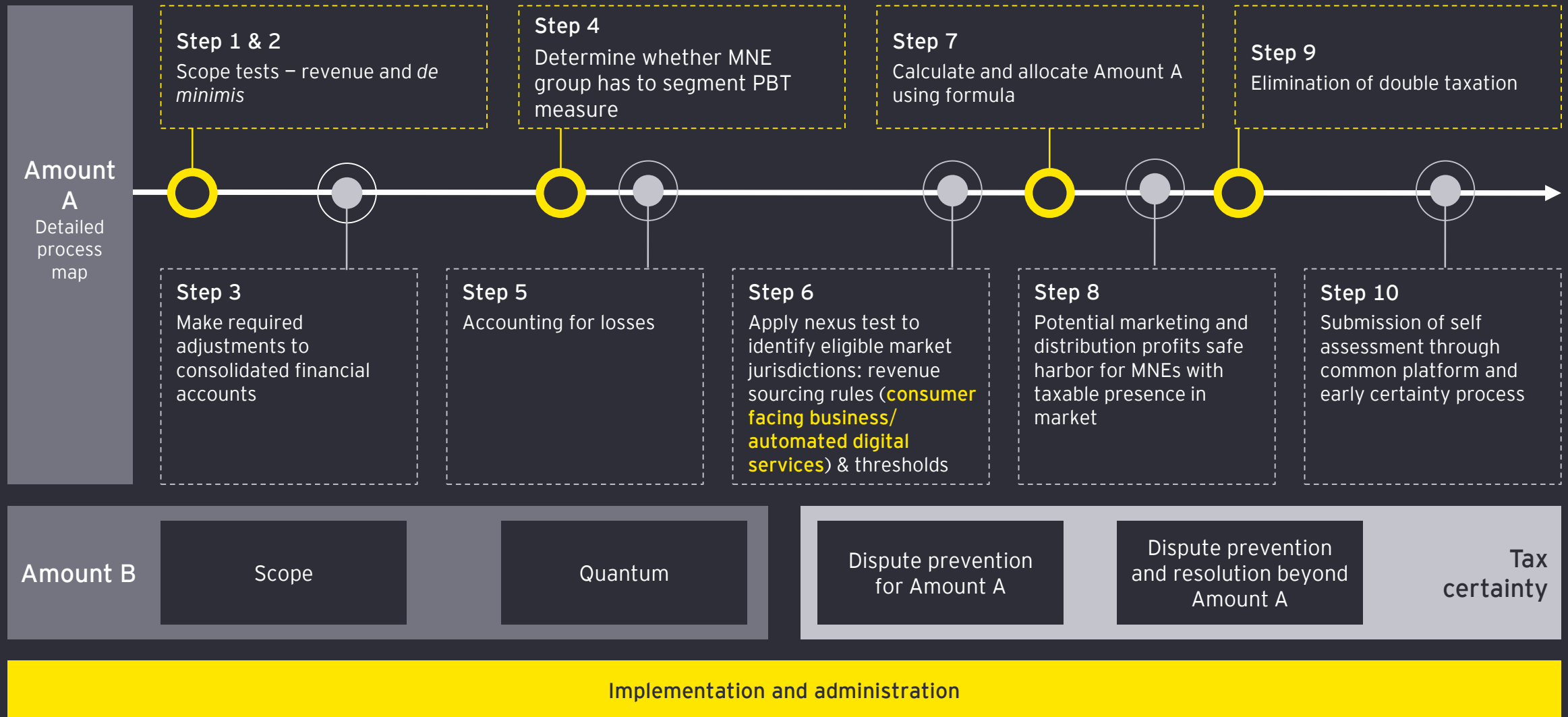
- ▶ India Equalization Levy

Three reasons to care: overview of approaches to planning



Other considerations: what is the possible impact of BEPS 2.0 and Pillar 1?

Overview



Accounting considerations

DSTs

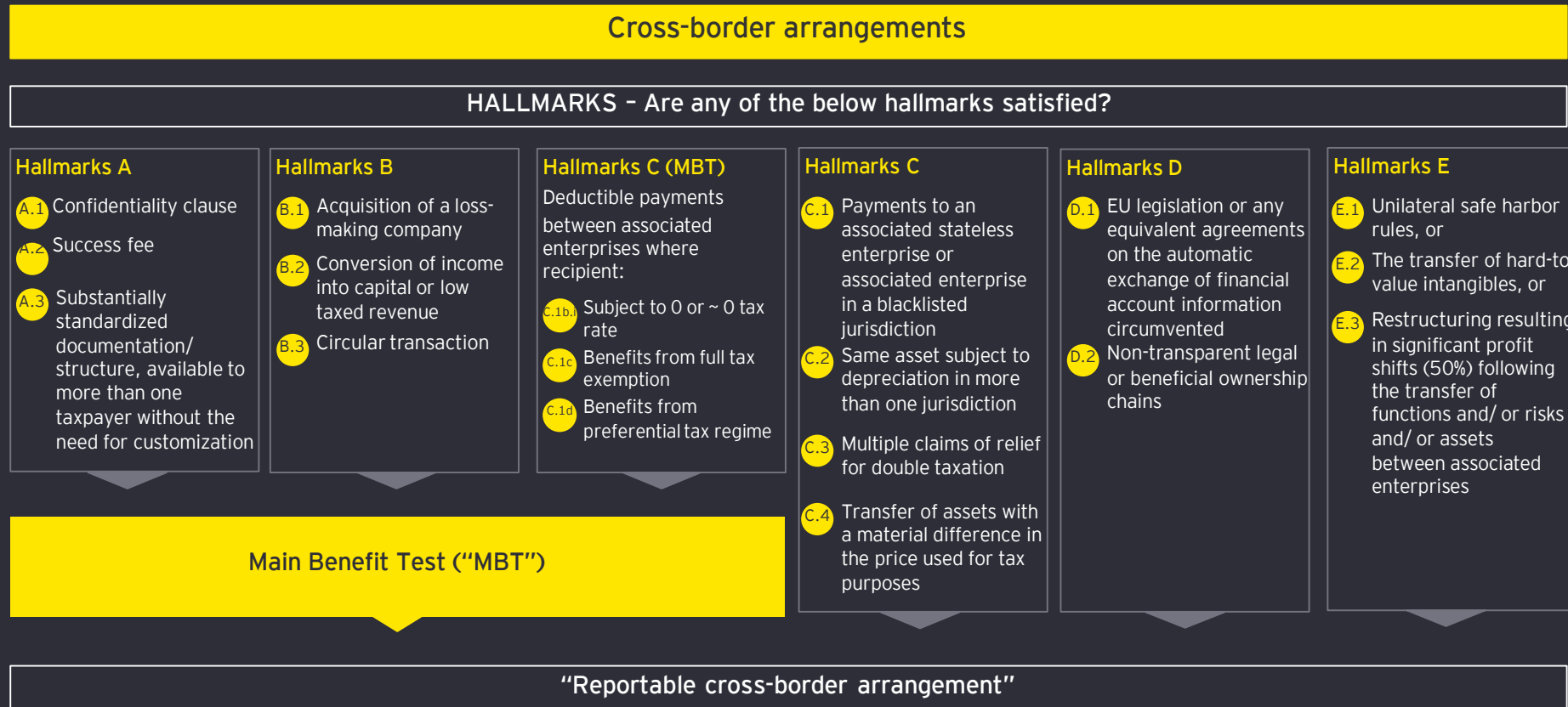
Equalization
Levies

Above or
below
the line?

If above the
line, where?

Mandatory Disclosure Regime ("MDR")

Why is it reportable?



MDR: Key take-aways

Broad scope with significant and immediate consequences



Text of the Directive is **ambiguous**. Wide range of structures and transactions in scope



Appreciating that there will be **different law** in each EU jurisdiction touched by an arrangement is important



MDR is a **real-time reporting** regime with a 30-day deadline for filing



Significant **risk of sanctions** in the event of failures to comply with the reporting obligations



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