Principles for International Taxation in a Digitalizing Economy

- Given that the internet has made the cross-border provision of digital services increasingly practical and inexpensive, reforms to modernize the international tax system to adapt to the digitalization of the global economy should be adopted only after constructive dialogues, such as the process currently underway at the OECD. The OECD allows for consultation among a broad base of stakeholders from the private and public sectors.

- As the OECD and others move forward to develop various design options for addressing challenges from digitalization for businesses of all sizes and sectors, the focus should be on specific problems of tax avoidance and tax base erosion through abusive practices.

- Unilateral actions threaten global economic interests, including trade; erode trust; and undermine prospects for international agreement. Country-specific mechanisms will cause fragmentation, translating into increased burdens for taxpayers and tax administrators alike.

- Tax legislation should ensure industry-specific neutrality and avoid special tax benefits or penalties targeted to one industry versus another. A fundamental tenet of pro-growth tax policy is that the marketplace, not the tax system, should allocate capital and resources. Principles of non-discrimination and national treatment must be rigorously respected.

- All tax-related legislation, including any OECD recommendations, should provide simple, predictable, and easy to understand tax rules to improve compliance and reduce the cost of tax administration. These measures should promote certainty through effective dispute resolution mechanisms, including mandatory binding arbitration, and appropriate safe harbors applicable to both businesses and governments.

- Direct taxes should be levied on net income, not revenues. Proposals to tax revenues improperly ignore the costs associated with sales and would raise costs to consumers.

- Any changes to tax law should include realistic transition rules to provide adequate time for implementation and help minimize economic hardships businesses may face during transition to changes in tax systems.

- All parties must uphold their international commitments, including tax treaty obligations that guard against double taxation and the nondiscrimination and national treatment obligations included in trade agreements. Changes to international tax rules must be accompanied by changes to tax and trade agreements to avoid double taxation.

February 2019