

A WORLD OF GLOBAL TAX RULES

Relevant for: International Relations | Topic: OECD

The OECD has also proposed measures to curb tax jurisdiction shopping. In all, annual gains of \$240 billion are envisaged for all governments worldwide

Business has long gone global, but taxation has been country specific. This has allowed companies to hop borders to suit themselves, even as the internet let them reach markets overseas and make money without necessarily having to pay taxes in those countries. All this may soon end. The Organisation for Economic Cooperation and Development (OECD) has proposed a global shake-up of corporate taxation that should delight countries like India. In a recently-released framework on multinational taxation, the OECD has proposed a system of taxing big internet firms (with global turnovers of over \$1.23 billion). Multinational enterprises such as Facebook, Amazon and Netflix, which have large user bases in various geographies, may have to start parting with some of their profits as tax to their user-market governments. This, of course, would only be fair. Facebook Inc. may be based in the US, but if Indian users of the platform help generate much of its ad revenues (and thus profits), should India not tax it?

The mechanism to do that will not be easy to evolve, since profits in a global digital economy are hard pin down. Revenues, however, are easier to separate country by country. Broadly, the OECD's aim is to have a tax levied on a chunk of profits deemed to have arisen from various worldwide markets, which would be split among user-market governments in a ratio of revenues drawn from those countries. If a consensus is forged on such a formula, the plan could go ahead.

India, of course, has long argued in favour of such a tax. This is because India has a huge consumer base for global internet businesses, and has watched the taxation gains of the sector's rapid expansion go to countries where these firms are based. The OECD has also proposed measures to curb tax jurisdiction shopping. In all, annual gains of \$240 billion are envisaged for all governments worldwide—which should make it easier to obtain a nod from everyone.

Log in to our website to save your bookmarks. It'll just take a moment.

Your session has expired, please login again.

You are now subscribed to our newsletters. In case you can't find any email from our side, please check the spam folder.

END

Downloaded from **crackIAS.com**

© **Zuccess App** by crackIAS.com