

## POLICY CHALLENGE 2: FINANCING PROSPERITY

- Tax systems are not sustainable given eroding bases, growth of the digital economy, and tax avoidance/evasion.
- Digital business models require a fundamental redesign of taxes, e.g. through cash-flow taxes or the establishment of a digital presence

### Current tax systems need reform

Current tax systems are ill-suited for an increasingly digital era, are not well-protected against the ongoing erosion of tax-bases and tax evasion, and are not used strategically to further political goals.

### Broaden tax bases and tax more strategically

As a consequence, several participants suggested to **use taxes more strategically to achieve politically desirable outcomes**, such as employment over mechanization, environmental protection, competitiveness, and/or innovation. This could also help open up **new revenue-streams** in the face of eroding taxation on labor incomes.

### Where and how to tax large transnational companies?

The possibility to tax where a good is consumed rather than where it is produced (**Cash-flow-tax**) was debated and led to a proposal to treat, and thus tax, devices, e.g. **mobile phones**, which we use to order online goods and services, as if these **represented a physical store**.

It remains difficult to determine where exactly wealth is created in new business models; yet, establishing a physical presence remains a good entry point to attribute and calculate actual profits and subsequently tax them adequately.

### On tax harmonization

The EU Commission initiative on taxing imports instead of exports, as well as the **Common Consolidated Corporate Tax Base (CCCTB)** were discussed. The existence of different taxation systems was thought of as possibly endangering the EU project whilst simultaneously being a positive incentive for increased competition among Member States – which is bound to spike once digitalization is added into the equation.

### Cryptocurrencies

Cryptocurrencies are used to finance illegal businesses and help obscure cash-flows. However, the technology could in the long run help make taxation more effective and revenues more transparent.

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*Mobile phones are like the digital residence of a company - a shop in your pocket*

*We need to come up with a new tax system: why not tax technologies rather than labor?*

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