KPMG Digital Services Tax Quick Check

Digital services tax is gaining ground. Are your business models affected and are you prepared? Our free software gives you an initial overview for selected countries.

Background

In the view of some countries, digital revenues are not taxed at the place where value is created. In contrast to the traditional economy, companies in the digital economy can generate profits without having a local permanent establishment. But even traditional industrial companies, with their expanding online trade, may be affected. As a result, the states in which value is created lose their tax base. A digital tax is designed to prevent this. Currently, around 25 countries worldwide have introduced a digital services tax, and the trend is still rising. The digital services tax is mostly levied on revenues generated by companies that provide and supply personalized online advertising services, provide multi-page platforms or deal with user data. To some extent, other digital services might also be affected, for example streaming, downloading of software/ content and online goods retail. Furthermore, there are local specificities such as search engine taxation in the UK or the exclusive taxation of digital advertising services in Austria. The tax rate varies from country to country to a greater or lesser extent but is – until now – usually in the low percentage range. In order to determine in which state the value creation takes place and whether the state is consequently entitled to the digital tax burden, geolocation methods such as the IP address are mostly used. With regard to the threshold values, it is clear that states are pursuing different objectives with their digital service tax. There are, for the most part, two thresholds: worldwide (digital) revenue and domestically sourced digital revenue. In France, for example, the required worldwide digital revenue is EUR 750 million and the domestically sourced digital revenue is EUR 25 million, whereas in India a domestic threshold for e-commerce operators of only INR 20 million needs to be exceeded.

The Challenge

If there is no harmonised solution at the global or EU level, there will be an ever greater number of unilateral solutions. While the thresholds for tax liability are still relatively high and tax rates relatively low, digital services tax presents challenges for many companies. The tax liability does not affect only digital groups and it is independent of the company’s domicile. The challenge for companies lies especially with mapping in ERP systems to ensure monitoring and compliance with worldwide requirements. It is therefore important to tackle the taxation of digital services now, even if no digital services tax has been introduced in your country of establishment.

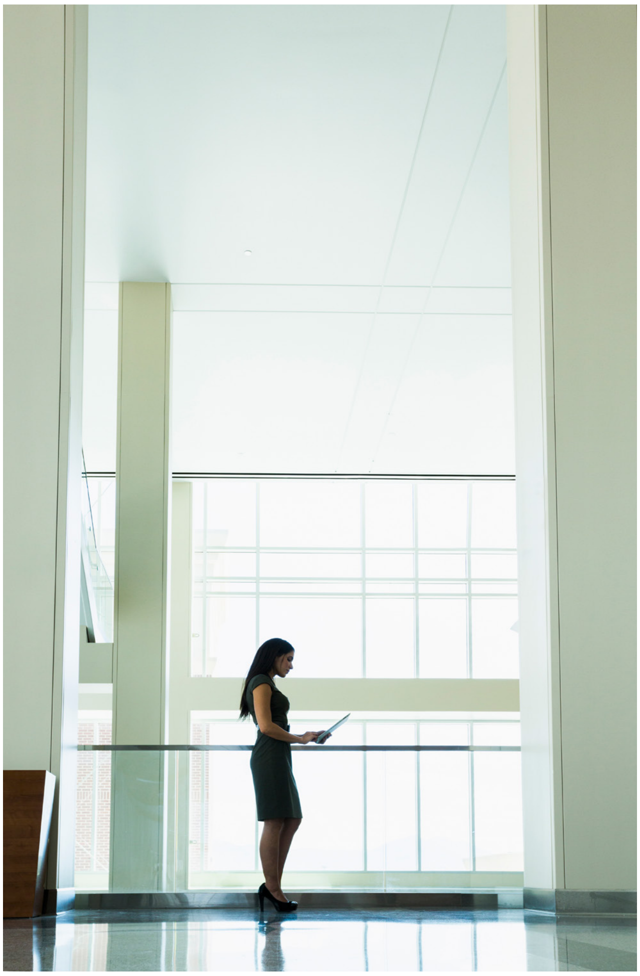
Our Solution

Use our free web-based application to obtain a quick overview of the possible burdens on your company due to digital services tax in selected countries. You can identify the relevant revenues in the respective countries and monitor the respective applicable thresholds. This gives you prompt and detailed information on rules so you can initiate the required registrations in a timely manner and take account of expected additional costs due to taxation of digital services in your price calculations.

We are happy to discuss the results of your self-assessment using our KPMG Digital Services Tax Quick Check with you and to work with you to develop solutions and strategies (e.g. monitoring and mapping in the ERP system) that are customised to the needs of your company.

Your Benefits

- Free entry-level version
- Monitoring thresholds
- Overview of potential digital services tax burdens in selected countries
- Up-to-date specialist information on digital services tax for selected countries
- Continuous updates in line with the current legal situation
- Basic simulation of effects on different business models



Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

Contact

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Oliver Buttenhauser
Partner, Indirect Tax Services
T +49 911 5973-3176
obuttenhauser@kpmg.com

Dr Andreas Ball
Partner, Tax
T +49 521 9631-1430
andreasball@kpmg.com

www.kpmg.de

www.kpmg.de/socialmedia