Digital Revolutions in Public Finance

Alpa Shah
Fiscal Affairs Department

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“By transforming the way countries collect, process, and act on information, digital technology can reshape the way governments design and implement their tax, spending, and macro-fiscal policies.”
Digitalization and Taxation
Better Information, Better Systems

Data Sharing and Linking

Data Storage and Availability

Data Capture

Data Processing

Data Analysis
Impact of Digitalization on Tax Systems

Lower Transaction Costs

Revenue Authority

Taxpayer

Information

Information

Information

Information

More/less information asymmetry

More Complete information

Changes in Marketplace

Changes in Inequality

Changes in Fiscal Policy

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Changes in Fiscal Policy
What does this mean for taxation?

DOING THINGS BETTER

INNOVATIONS IN TAX DESIGN

NEW or INTENSIFIED TAX POLICY CHALLENGES
Doing Much The Same...
...But Much Better

- **Digital tax administration systems**
  - E-filling, e-invoicing
  - Pre-populated tax returns
  - Mobile payments

- **Cross-border exchange of information**

- **Peer-to-Peer platforms.**
  - Withholding agent (hotel taxes by Airbnb)
  - Third-party information
Future Innovations in Policy Design?

More efficient tax design:
- Lifetime income tax
- Progressive individualized VAT

More targeted subsidies/benefits
But... with new or intensified challenges (1)
But.. with new or intensified challenges (2)

Defining ‘Physical Presence?
Rethink Source vs. Destination
Recent EU communiques

AUTOMATION
Taxation and the Peer-to-Peer Economy
Technology reduces transaction costs
P2P Economy: A changing firm structure
P2P Economy: Revenue Implications?

Average Income from Airbnb Inc. by Country vs. Indirect Tax Thresholds

Imputed Income for Airbnb Hosts

Low incomes, rents → Declining government revenue?
P2P Economy: Old small business taxation trade-offs

- Simplification of taxes? A new P2P tax policy?
- Tax administration issue mistaken for a policy issue
P2P Economy: Platforms as Tax Inspectors

Platform as:
- Third Party Reporter
- Withholding Agent
THANK YOU

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