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## Taxation of the Digital Economy: Adapting a Twentieth-Century Tax System to a Twenty-First-Century Economy

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### Abstract

This Article analyzes the tax challenges of digitalization and the potential solutions to address them. This Article argues in favor of a multilateral approach and proposes applying a new tax nexus based on market thresholds subject to a global de minimis amount. As more companies conduct business online, current international tax law and its principles have failed to adapt to global commercial practices. Digital-tech giants such as Facebook, Google and Amazon have been able to exploit the international tax framework by avoiding a physical presence in the jurisdiction of their consumers. As a result, profits of highly digitalized enterprises can be shifted to low tax countries and left untaxed in markets where substantial economic activity occurs.

Efforts are underway to reform the international tax framework and apply tax nexus irrespective of traditional physical presence. Such efforts include, notably, an OECD-wide proposal and unilateral digital services taxes that establish new taxing rights in market jurisdictions. The Article examines the leading approaches to taxing highly digitalized businesses and reflects on the global outcomes they produce. The Article comprehensively reviews the contemporary debate on digital taxation, including recent developments on the widely publicized U.S.-France controversy of France's digital services tax, and the plans for international tax reform during the COVID-19 crisis.

**Keywords:** International, Tax, Taxation, Digital, Economy, Digital Services Tax, DST, BEPS, Facebook, Google, Apple, Amazon, Technology, OECD, EU, UN

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## 116 References

1. OECD) is an intergovernmental economic organization comprising 37 Member States. The OECD was founded in 1961 to stimulate economic progress and world trade. For more information and a complete list of OECD Member States, see About: Our Global Reach  
Members of the OECD/G20 Inclusive Framework on BEPS , volume 5 Posted: 2019-12
2. Digital platform companies provide value by enabling connection, information, and data sharing by and between users  
Examples include Amazon, eBay, and Alibaba
3. Value Creation and Capture: Implications for Developing Countries  
Trade and Development Posted: 2019

4. Simon Kemp  
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