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The Geopolitics of Online Taxation in Asia-Pacific Digitalisation, Corporate Tax Base and the Role of Governments

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Brussels, Belgium, 16th January 2018 - The perception that tech companies pay less corporate taxes is a myth, say ECIPE researchers in a new report. In reality, a comparison of effective tax rates (ETRs) shows that Silicon Valley pays similar (or even higher) rates than those paid by local companies in the Asia-Pacific.

The real question is where corporate taxes are paid, and most businesses pay their taxes where they are headquartered. If US tech firms were to engage in profit shifting, they would be moving their profits in the other direction — to Asia and Europe, where the corporate tax rates are lower, rather than vice versa.

Asian tax bases are not actually shrinking – but growing – thanks to the internet. In other words, the tax problems we are seeking to address through draconian methods in the EU, Indonesia and Thailand do not seem to exist. Corporate tax revenues in Asia have more than doubled in the last decade, and growing at a faster pace than GDP or personal income taxes.

Blaming the internet for tax erosion is a misconception created for national politics, or protecting old telecom incumbents. It is difficult to find any other plausible explanation, as the combined revenues of the leading US-based internet services in the Asia-Pacific region is less than 0.1% of US-Asia trade. If there was a real problem, why do the tax authorities turn a blind eye to the remaining 99.9%?

In [an op-ed in South China Morning Post](#) – Hong Kong's leading daily – on Saturday, Lee-Makiyama also warns of a coming tax war between the US and Asian governments. The recently agreed GOP tax reform (with lowering of US corporate taxes) is on a collision course with the double-taxation of Silicon Valley firms in Indonesia, Thailand, Vietnam and Korea. Asian countries benefit most from current arrangements. If Asian governments could tax internet companies (but their own exporters were required to pay taxes overseas in return), they would be at a net loss.

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