



**Asia-Pacific
Economic Cooperation**

2022/SOM1/CTI/IS11

Agenda Item: -

**Summary Record - Supporting Discussions in the
WTO: Workshop on the Application of Non-
Discriminatory Internal Taxes to Electronic
Transmissions (Endorsed, 24 Sep 2021)**

Purpose: Information
Submitted by: New Zealand



**First Committee on Trade and Investment
Meeting
18-22 February 2022**



Summary Record

Supporting Discussions in the WTO: Workshop on the Application of Non-Discriminatory Internal Taxes to Electronic Transmissions

**New Zealand APEC Self-Funded Project
Committee on Trade and Investment
12 August 2021**

Summary

New Zealand hosted a CTI self-funded workshop entitled “Supporting Discussions in the WTO: Workshop on the Application of Non-Discriminatory Internal Taxes to Electronic Transmissions” ([CTI 06 2021S](#)) on August 12. The event saw approximately 100 participants from 18 APEC economies to the workshop, as well as representatives from non-member institutions such as the OECD, World Bank and International Monetary Fund. The agenda for the workshop can be found [here](#).

The first part of the workshop featured presentations from taxation officials and experts from the OECD, New Zealand, the United States, Singapore, and Australia. The OECD speaker presented on the organisation’s International VAT (Value-Added Tax) and GST (Goods and Services Tax) Guidelines, which have been adopted by a number of APEC economies. Following this, the speakers from New Zealand, United States, Singapore, and Australia presented on their internal taxation systems for digital products and services, including successes and challenges, regulatory scope, international alignment, and revenue-generating capabilities. Through sharing experiences, speakers constructively demonstrated the way in which internal taxation on digital goods and services can be a fair, transparent, and non-discriminatory alternative to customs duties and tariffs.

Following the presentations, there was a fruitful discussion on specific aspects of internal taxes. This included discussion on whether non-fungible tokens and other future digital products would fall into the scope of internal taxes; the use of penalties for non-compliance; the definition of consumer residence; data privacy regulations; and the scope of specific sectors such as telecommunications and gambling. New Zealand is very grateful to all those that attended and participated in the discussion. It was our intent that this workshop would strengthen APEC’s role as an incubator of ideas and provide a useful contribution to ongoing multilateral discussions, particularly the upcoming discussions on the Moratorium on Customs Duties on Electronic Transmissions during the WTO’s Twelfth Ministerial Conference.

Following the presentation, all PowerPoint slides have been uploaded onto to [APEC Meeting Document Database \(MDDb\)](#) for future reference.

SESSION ONE

Welcoming Remarks: Ms Claire Kibblewhite, Senior Policy Officer, Trade Policy and Negotiation Division, New Zealand Ministry of Foreign Affairs and Trade

Ms Kibblewhite (New Zealand) opened the workshop with an introductory statement outlining the background and objectives of the APEC workshop.

It was noted that Covid-19 continued to accelerate the growth of the digital economy, a trend that had begun prior to the pandemic itself. Under this backdrop, APEC policymakers both around the region and in multilateral processes were grappling with how to best respond to emerging issues and changing ways of delivering traditional goods and services in a transparent and non-discriminatory manner. It was emphasised that the workshop was designed to support broader discussions and debate happening in multilateral fora regarding the treatment of electronic transactions.

The objectives of the workshop were outlined, particularly that the workshop intended to provide a platform where APEC economies can share experiences and knowledge on the use of internal, non-discriminatory taxes (e.g. valued-added taxes) on digital services. It was reiterated that the discussion was without prejudice to economies' positions in other negotiations or forums. It was noted that through sharing knowledge and experience, the workshop aimed to support and contribute to discussions in the WTO on the Moratorium on Customs Duties on Electronic Transmissions and the WTO Joint Statement Initiative on Cooperation as well as other cooperation.

Speaker 1: Mr Thomas Ecker, Policy Adviser, Centre for Tax Policy and Administration, Organisation for Economic Cooperation and Development (OECD)

Mr Ecker (OECD) presented on the OECD's policy framework for the application of VAT/GST to internationally-traded services and intangibles. His presentation focused on the role of the OECD's International VAT/GST Guidelines in addressing challenges and promoting standardisation, as well as the adoption of the OECD guidelines and their outcomes across economies around the world. A summary is provided below:

- The collection of VAT on business-to-consumer (B2C) supplies of goods and services arising from online sales was a pressing issue that needed to be addressed urgently to protect tax revenue and level the playing fields between foreign and domestic suppliers. Mitigating VAT revenue loss, addressing competitive distortions, and reducing the adverse impact on employment and other tax revenues became major policy concerns.
- The OECD International VAT/GST Guidelines were developed to provide global standards for the application of VAT to international trade in services and intangibles. Over seventy

economies around the world, including many in the APEC region, have implemented the OECD Recommendations. Economies have reported very high levels of compliance as online trade was dominated by large players with a strong record of compliance, while revenues were often also significantly higher than budgeted targets in several cases.

To download the full presentation, please click [here](#).

Speaker 2: Mr Gordon Witte, Principal Policy Adviser, Policy and Regulatory Stewardship, New Zealand Inland Revenue Department

Mr Witte (New Zealand) presented on New Zealand's Goods and Services Tax (GST) on imported remote services. He explained the scope of New Zealand's GST towards remote services, the offshore supplier registration system, and the collection of revenue. A summary is provided below:

- New Zealand's GST is a Value-Added Tax (VAT) that is applied at 15% on the final good or service supplied to a consumer. Since October 2016, New Zealand has applied GST to imported digital and remote services. New Zealand's rules are based on the OECD International VAT/GST Guidelines. To reduce compliance costs in cases where there was little revenue benefit, New Zealand's GST on imported digital and remote services excluded business-to-business services as well as offshore suppliers with annual sales less than \$60,000, which was consistent with domestic suppliers. New Zealand's GST collected on remote services increased rapidly over the last three years, from \$138.4m NZD in the 12 months ending 31 March 2018 to \$234.9m NZD in the same period ending 31 March 2021.

To download the full presentation, please click [here](#).

SESSION TWO

Speaker 3: Dr Edith Brashares, Director, Office of Tax Analysis, United States Department of the Treasury

Dr Brashares (United States) gave a presentation on the United States' experience of applying retail sales taxes in the digital world. As taxes in the United States are applied at the state and local level, rather than at the Federal Level, Dr. Brashares' presentation focused on the experience of US states in applying domestic digital taxes. A summary is provided below:

- While not all US states have retail sales taxes (RST), there have been stronger efforts in recent years to apply taxes to digitised forms of non-digital products. A significant development occurred in June 2018 during the US Supreme Court Case of South Dakota vs. Wayfair, which required vendors to remit RST if sales into South Dakota exceeded

\$100,000 USD or 200 transactions per year. Many US states reacted quickly, with 42 states now collecting taxes on online marketplaces and 24 states adopting uniform tax rules and rates through the Streamlined Sales and Use Tax Agreement (SSUTA). Since the case, local state tax revenues from out-of-state sellers had increased by \$40 million USD.

To download the full presentation, please click [here](#).

Speaker 4: Ms Wong Sze Teen, Group Tax Specialist, Inland Revenue Authority of Singapore

Ms Wong (Singapore) gave a presentation on Singapore's GST measures on the taxation of cross-border digital services. Her presentation featured the registration threshold and scope of the Overseas Vendor Registration (OVR) regime, electronic marketplaces, simplified pay-only registration regime, and implementation. Singapore first introduced the reverse charge and OVR regimes in the 2018 Budget, which came into effect in the beginning of 2020. A summary is provided below:

- With effect from 1st January 2020, Singapore began applying GST to cross-border digital services. Under the OVR regime, overseas suppliers with global turnovers exceeding \$1 million SGD, and those with business-to-customer sales of digital services to Singapore exceeding \$100,000 SGD in a 12-month period are required to register for GST. GST was also collected from intermediaries such as electronic marketplaces on behalf of suppliers under certain circumstances given their role in the digital supply chain. Singapore also has a simplified pay-only registration regime that reduces compliance costs and eliminates the need to appoint local agents. To facilitate implementation, Singapore's OVR regime was announced almost two years prior to entry-into-force. The OVR's design process also involved extensive stakeholder engagement, alignment with similar regimes in other tax jurisdictions, and public consultation efforts.

To download the full presentation, please click [here](#).

Speaker 5: Mr Tim Renner, Director, GST International Risk and Intelligence, Australian Taxation Office

Mr Renner (Australia) presented on Australia's experience in applying goods and services tax to electronic transmissions. His presentation focused on the key elements of Australia's taxes on offshore digital products and services, engagement and compliance strategies, as well as the revenue collected from the taxes. A summary is provided below:

- From July 2017, Australia began applying GST to all "inbound intangible consumer supplies", including offshore digital products and services that exceeded \$75,000 AUD over a 12-month period. Online marketplaces such as electronic distribution platforms were primarily responsible for the collection of taxes. Compliance information is publicly available online and supporting mechanisms were provided to businesses. From July 2017

to June 2020, Australia collected a total of \$1,183m AUD on digital products and services from over 600 registered businesses and platforms. The five largest platform entities, which included fee-to-use platforms and sales by third parties, accounted for 36% of total revenue, while the top ten platforms and top twenty merchants combined accounted for 85% of total revenue.

To download the full presentation, please click [here](#).

QUESTIONS AND ANSWER SESSION

Following the presentations, there was a fruitful discussion on specific aspects of internal taxes. This included discussion on whether non-fungible tokens and other future digital products would fall into the scope of GST; the use of penalties for non-compliance; the definition of consumer residence; data privacy regulations; and the scope of specific sectors such as telecommunications and gambling. New Zealand is very grateful to all those that attended and participated in the discussion.