



CHALLENGE OF TAXATION OF DIGITAL ECONOMY The tax treaties distribute taxing rights between the countries. The right to tax business profits is given to a source country if the threshold of permanent establishment is met. The concept of permanent establishment can be said to be about century old. Considering the advancement in technology and new business models based on such technology, the treaty rules based on the concept of permanent establishment have become obsolete. This adversely impacts the taxing rights of the source countries / market jurisdictions as they are not able to levy tax in absence of a permanent establishment. OECD APPROACH BEPS Project – Action 1 The BEPS Action Plan was developed by the OECD Committee on Fiscal Affairs (CFA) and endorsed by the G20 Leaders in September 2013. It.....