

Governments talk about regulating the internet and taxing ecommerce. a) what prob...



REGULATING THE INTERNET The advent of the Internet and the phenomena of the World Wide Web have changed the character of society. What began as an in-house information exchange system has transformed into a global phenomenon that has penetrated into each and every aspect of our lives, challenging traditional methods of work and play, be it communicating with friends and family or doing business over the internet. It stands to reason therefore that such a global phenomenon cannot be left to proliferate unchecked, without any regulatory mechanism and without governments world-wide benefiting from this increased global interaction.

However, this is easier said than done. Going by current practices, "regulation [has] largely confined itself to the physical boundaries of the regulating state" (Thierer & Crews). The Internet however, makes physical boundaries irrelevant. Legal boundaries determining the rights and obligations of users and questions of jurisdiction in cases of violation of country specific laws all remain contentious issues. If User A in Country A, were to commit an illegal act over the internet terminating in Country B, who would have jurisdiction to prosecute User A What would be the status if the said illegal act were not to be illegal in Country A Since the Internet is global, are the regulations global too Internet regulations therefore would have to keep many such considerations in mind. Any one country cannot possibly hope to legislate on behalf of the entire world, given the ubiquitous nature of the internet. Similarly, questions arise as to whether separate regulations for the Internet are required at all, or whether rules and regulations already existing and applicable to the 'physical world' would suffice. Given the globalized nature of international trade, many of the issues of jurisdiction

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have already been addressed by trans-national laws. Whatever is the case, there is no doubt that a global framework for addressing Internet regulation is required, the process for which is already underway.

The other issue arising out of the increased use of the Internet for commercial purposes, e-commerce - is the question of taxation. At the heart of the problem is the question of whether or not to tax Internet e-commerce and if so, how to implement a uniform tax policy. There are many who believe that the benefits of e-commerce in the form of, " administrative savings and efficiencies of delivering citizen [and other] services... far outweigh the revenues foregone on taxes on transactions" (Bacon's Rebellion). While this may be true for administrative services, states are worried that if fewer and fewer people spend in the 'physical world', state revenues would drop alarmingly. This would force states to find alternate means to generate revenue through direct taxes such as Income or Property Tax, which is likely to be resented.

In the long run, an internet tax seems inevitable. It would be unreasonable to expect that Internet e-commerce will remain untaxed, given that more and more businesses are going 'on-line' to reap the benefits of e-commerce.

There is an urgent need of devising an equitable Internet taxation policy that satisfies all stake holders. However, as brought out earlier, this is easier said than done as the," ubiquitous nature of the Internet makes state taxation very complicated (Stump), given that states have vastly differing tax regimes. Moreover, serious differences over where the tax should be collected - where the goods / services are produced; where sold; or where delivered - stand in the way of a uniform Internet taxation policy. An easy

way out may well be for the federal authorities to centrally tax internet transactions, both internal and international, at their point of origin and then proportionally reimburse the states for any loss of revenue.

References

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