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1                    Introduction

The “ Global Economy” is already upon us. It is no longer a future to be discussed at leisure, rather, it is a reality that has been too long ignored. The taxation of e-commerce is a complicated and serious problem facing today’s governments: the need to balance government’s need for revenue with the need to facilitate global commerce. “ If the UK is to thrive in the future, to succeed in competitive markets and to enjoy better and better services, all of us need to be confident and comfortable, living and working in a digital world.” (UK Cabinet 7)

E-commerce has purportedly lost governments billions of dollars in tax revenue, never to be recovered. The effort to adopt revenue systems to the global electronic marketplace has been too long and too hard. Many of the taxation practices we have taken for granted in the past, including fixed tax-jurisdictions and source of income classifications, were developed during a time completely technologically dissimilar from our own. (U. S. Dept. Treasury 6) It is becoming increasingly clear that the way we traditionally view international transactions simply does not hold when applied to the ever-changing economic landscape of  the World Wide Web and e-commerce.

1. 1             History

Compared to other types of tax, the sales tax is a relatively recent phenomenon. (Lymer 34) In the past, taxation has always been fundamentally based on physical location, either that of the buyer or that of the seller. In today’s electronic world, location is not easily fixed. Buyer location, seller location, and the Internet Service Providers of both may be candidates. As methods of transport rapidly evolved, there was a slow advance of negotiations and standardisations to govern the taxation of services and goods[1]. When a product left one jurisdiction and entered another, taxes and tariffs were paid and the goods were either delivered there or passed through another jurisdictional barrier and were assessed again.

In the United States, sales taxes were invented during the Great Depression and intended to be a temporary solution to the government’s loss of property tax revenue. (Varian) Some jurisdictions had negotiated untaxed goods transit, and some had not; however, this was a localised problem between a jurisdiction and its neighbours. This meant a limited amount of negotiations with known parties who, by and large, were interested in trade with persons of similar spatial locality.

1. 2             Current Background

“ Any serious attempt to examine the legal and policy issues raised by taxation of e-commerce must begin with an understanding of the technological and business background out of which they arise.” (Hellerstein) E-commerce has changed the way that businesses interact with each other, the government, and their customers. Hard-copy records and physical goods are becoming increasingly replaced with digital equivalents. E-commerce transactions range from the buying and selling of traditional retail products (such as books and food) to wholly digital goods and services (such as software, music, and financial services). (May 80)

Today, e-commerce and instant global communication have opened the passage of goods and services to many areas that were previously unable to attain goods from the global market.

[In 1999], the UK Prime Minister, in said: “ There is no doubt that e-commerce is going to have a profound effect on business, Government and consumers and on the way people live and work. E-commerce presents enormous challenges. Countries that wholeheartedly embrace e-commerce will benefit from improved economic performance. Those that do not, risk seeing trade ebb away to low-cost competitors elsewhere in the world.” (Montagu and Strachan 12)

This means that treaties for many of the paths that goods and services take have not been established and will not be in the near future, highlighting a serious problem within today’s tax system. (Frieden 36-38)  The fault for this lies with basic assumptions about trade and commerce that we have long taken for granted. Tanzi calls e-commerce a “ fiscal termite”, which will pose serious problems to tax authorities as administrations move from paper records to digital ones, and businesses move from selling physical goods and services to digital ones. (2-3)  Today’s goods do not necessarily come from one place and go to another. In today’s global economy, it may be complex, at best, to determine the locality of goods for taxation or administration purposes.

“ Thus, while it remains possible to administer tariffs for products ordered over the Internet but ultimately delivered via surface or air transport, the structure of the Internet makes it difficult to do so when the product or service is delivered electronically.” (Clinton and Gore) Figuring it out often requires an in-depth understanding of  international law and treaties, as well as advanced knowledge about the consumers and the businesses, that is not always forthcoming.

2                    Current Tax Regulations

Given the equitable distribution of opportunities afforded by the nature of e-commerce, it is not surprising that these tax problems affect businesses of all sizes, one man operations and corporations alike. In Britain, the EU, and the United States, as well as in developing nations, entrepreneurs and established businesses struggle with tax systems developed for a less dynamic economy than that delivered by the Internet.

“ Entirely new and vibrant communities of software engineers and other R&D personnel, for example, have developed in India, China, Russia, and other ‘ developing’ economies in recent years,” (Sprague and Hersey 1)  Article 5 of the Model Tax Convention on Income and on Capital generally states that a business or enterprise  in one state will not be liable for direct tax in the other state unless it has a  place of business in that other state with a fixed location. (OECD, Articles 6)

Consumers are also affected when they want to purchase a product, but cannot find out what the tax will be, or if they must pay tax in their own jurisdiction for an interstate or international order. Many who would like to be upstanding citizens and pay due tax may not because of the process involved in filing taxes in another jurisdiction. “.. Taxation affects the decision of consumers to buy goods over the Internet.” (Goolsbee 4) In short the tax laws and regulations we must follow were designed for another situation and another time, and are often inapplicable or unclear when applied to e-commerce.

2. 1             Taxation: Indirect versus Direct

When dealing with taxation and tariffs, we can categorise them into two very succinct categories: direct, and indirect. Indirect taxation is a tax or tariff applied to goods, services, or anything else that causes tax to be paid by an individual as a consequence of some action. Direct taxation is taxes or tariffs collected directly from the entity, usually quarterly or annually.

Traditionally, the higher in a government hierarchy you look[2], the more direct taxation, and less indirect taxation, will show. This follows from governmental structures which have the higher governmental bodies deal with core services, while local governments outlay more capital for local services such as roads, restoration, and care of the populace. This is known as ‘ bottom up’ government. Indirect taxation recovers cost from mobile or transitory persons for the use of local services, while direct taxation recovers cost from a citizen or business for services that are globally available.[3] (Doernberg, Hinnekens, Hellerstein, et al. 28-32)

2. 2             Indirect Taxation

Many jurisdictions impose indirect taxation on goods and services. Indirect taxation is one of the simplest and most commonly employed ways for a municipal government to boost regional income, either in addition to, or in place of, the direct taxation of its citizens. Indirect taxation methods are intended to collect taxes and tariffs from transactions in the region, regardless of the regions from which the involved parties come.

Luxury items often have extra taxation included in their prices. Utility prices often include delivery surcharges which apply to all consumers and are included in their bills. Globally, the tourism industry is one of largest collectors of indirect taxes.  Hotel, restaurant, and vehicle rental taxes make up a significant part of many cities, and some countries, revenue.

Unfortunately sales tax is problematic, both from the economic point of view and the practical one. In many jurisdictions, sales tax does not apply to food, most clothing, and many services.. Thus, in terms of generating revenue, sales tax is not as effective as flat direct taxation might be.[4] Also, the associated costs and challenges of collecting the taxes can be quite daunting.  (Varian)  However, indirect taxation can be a powerful method of revenue collection that would otherwise not be available, but often causes problems when crossing jurisdictional boundaries.

3                    Jurisdictional Crossing

Lockwood states that the differences in taxation schemes between countries and jurisdictions are  becoming increasingly important to the flow of cross-jurisdictional trade and global commerce. (1 – 3) If the United States had not set up interstate commerce laws to prevent it, consumers would often pay sales tax to the state of the purchaser and to the state of the buyer. If it were not for international trade treaties, tax would have to be paid on purchase and on export every time a consumer purchased goods or services in a foreign country.

In the past, the jurisdiction of indirect taxation had only been settled with much discussion and cooperation; however, with the expansion of trade possibilities in the global marketplace[5], it appears that international negotiation is simply too complex. “ When governments cannot agree on appropriate measures, or choose to act unilaterally, double taxation, excessive burdens on business, and increased tax evasion may occur.” ( UK Inland Revenue and HM Customs 28). Some governments have proposed keeping these treaties in place for the handling of  physical goods purchased or shipped in a traditional manner or, but for transactions involving purely electronic services, the solution remains less apparent.

3. 1             Digital Goods

The buying and selling of wholly digital goods and services[6] is coming to light as the primary trouble spot. Is the jurisdiction the server, company, or destination of the transaction? (Sprague and Hersey) How will we classify the transmission path of the information, which may do such hitherto unheard of things as carry the product into space for part of its journey to the consumer? Although Ernst & Young’s report, Global Online Retailing (47), states that as e-commerce becomes a “ mature”  business model, the product distribution points will most likely become more localised, . these problems only get worse when considering digital services, services which render things that are never seen and may not be reproducible[7].

Where these services are located may be on a local computer, or they may be on a server of unknown origin, or the transmission origin may change on some fixed or random schedule. The company’s location, however, should be relatively stable, as should the customer’s, but the location of the service and the path it takes on its journey to the customer certainly are not. Traditional models of taxation by jurisdictional boundaries clearly can only be applied to those things with a fixed location, the buyer and seller in this scenario.

3. 2             Permanent Establishment

Although there has been much controversy centred around Article 5 of the Model’s, specific applicability to e-commerce, it seems clear that neither a server, a data storage facility, nor an Internet Service Provider (ISP) constitutes a “ permanent establishment” under the article. According to Section 4-a, “ permanent establishment” explicitly does not include “ the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise”. (OECD, Articles 7) A server is defined as “ a computer which provides some service for other computers connected to it via a network”[8].

Thus, servers are, in fact, existing solely for the purpose of delivering goods (information) belonging to the enterprise, and are excluded from constituting a “ permanent establishment”. Similarly, ISPs and data storage facilities are excluded under Section 4-6, which excludes any enterprise carrying on business in another state through an independent agent,  “ provided that such persons are acting in the ordinary course of their business”. (OECD, Articles 7)

4                    International Response

States wishing to compete effectively in the global marketplace must address these issues. In the United States, the Streamlined Sales Tax Project[9],  is developing measures “ to design, test and implement a sales and use tax system that radically simplifies sales and use taxes”. (SSTP) However, currently only 35 of the 50 American States are members of the project. At present, it appears that the United States’ projected sales and use tax revenue loss are almost entirely the fault of an inadequate tax remission and collection model that is ill-equipped to handle the challenges presented by global e-commerce. (Zodrow)

In Canada, similar measures are being taken to address these same concerns:

Collection Mechanism the Working Party worked on was registration of non-resident suppliers. A registration system obliges a non-resident seller of digital supplies to register in a jurisdiction in which he has made sales. After registration, the seller will be required to charge, collect, and remit the consumption tax to the country in which the consumption took place.

For example, a French seller of digital music, selling music to customers in Canada, will have to register in Canada. He will then have to charge and collect Canadian consumption tax and remit the tax to the Canadian tax authorities. From an administrative point of view, registration of non-resident suppliers will for the most part be feasible and effective. Since the registration of non-residents will not directly require bilateral or multilateral arrangements, this mechanism is relatively easy to implement. (OECD, Ottawa )

4. 1             Double Taxation

Indirect taxation has some expensive side effects when multiple jurisdictions are involved in the transaction. The European Union’s value added tax[10] was one of these effects, applying to any and all goods purchased within its jurisdiction. Taxes such as these are applied to any consumer regardless of that consumer’s location. This has the effect of being an indirect tax for all parties in the purchase chain except for the last. However, when the destination is in another jurisdiction with a direct tax the final party is responsible for an indirect tax in the originating jurisdiction and a direct tax in their home jurisdiction.

The European Union has attempted to change this by amending the old tax rules[11] that required EU digital goods and services suppliers to charge the VAT, even to customers outside of the EU. (EU, EC) This double taxation will discourage potential buyers from purchasing products or services if the item is taxed in both locations. A fundamental point in the  Ottawa Framework is that electronically purchased goods should be taxed in “ the place of consumption”. However, different jurisdictions implementing different procedures to handle this still allows the potential for double-taxation or loss of tax revenue. As countries begin to adopt a standardised implementation of this point, the e-commerce tax situation will start to become clearer. (OECD, Issues 3-4)

4. 2             Issues in Maintaining System

Jurisdiction based taxation schemes, such as indirect taxation, are inherently difficult to maintain in a global e-commerce environment. “ The Internet is a borderless technology.” (Doernberg 7)  Customers may be purchasing goods from a company that owns a Web server that is located on a computer outside of their primary residence location, or their Internet service provider may be in another location. The business they purchase from may be a corporation registered in one jurisdiction, but maintaining a distribution point  in another, with their primary e-commerce server in another, and a backup server in still another.

The indirect taxation model allows each of these separate locations to impose taxes and tariffs which could heavily burden both the business and the consumer. Customers or businesses may also make transactions from anonymous or semi-anonymous locations[12] that would make proving a transaction took place in any specific jurisdiction potentially very difficult, if not actually impossible.

5                    Potential for Abuse

The likely outcome of allowing the sale of multiply tariffed products is that many consumers will begin purchasing the products from a “ friendlier” tax jurisdiction[13], and, as a consequence, businesses will move their Web servers to a low tax or no tax locale. (Hellerstein 17). This situation not only has the effect of hampering the growth of worldwide e-commerce, but of adversely impacting the potential revenues for the many jurisdictions which cannot enter into such agreements. However, this has been beneficial to the growth of e-commerce in developing nations, where many businesses have either moved, or outsourced many of their jobs to. (Kamel 160)

5. 1             Direct Taxation

. In  a system of direct taxation[14], entities are taxed in their jurisdiction of residence on the income that they receive. Some locations tax the income before it reaches the person or business and some collect it after. The direct taxation model has the benefit of generating revenue for the tax regime from every dollar that flows into its jurisdiction. Any time income enters the possession of a citizen, business or other tax paying entity, it becomes immediately taxable. This system has no regard for the source of the incoming money or the destination of the outgoing money. Direct taxation is virtually guaranteed to consistently generate revenue for the jurisdiction, whether the jurisdiction’s residents are spending or saving their money.

5. 2             Direct Taxation: Applicability to E-commerce

When deployed worldwide in a top down hierarchy the direct taxation system[15] would allow any jurisdiction to garner revenue from all of its residents, while providing the cleanest and simplest infrastructure for e-commerce possible. Each tax jurisdiction would only be responsible for collecting tariffs from its residents; if a customer in the US purchases a product from a business with headquarters in the UK and a warehouse in the EU, then the US customer will have been taxed already on the income that he is spending, the UK business will be taxed for the income after the purchase and the EU warehouse will be taxed on any income gained by shipping the products.[16]

6                    Issues Involved in Taxation of On-line Purchases

The difficulty of establishing the relevant locality of tax jurisdiction, and especially the probability of having multiple relevant tax jurisdictions, is something that the tax models deployed by current governments have never faced on such a  scale in the past. Further, tax collection in the digital environment poses a number of unique problems including: the determination of the applicable tax type (sales, use, etc.); the ability of the vendor to collect the required tax; the determination of the jurisdiction in which tax is supposed to apply; the business’s ability to comply with audit requirements. (Basu Implementing 47) These are the most pressing issues currently facing the hoped for resolution between the current tax regimes and the e-commerce business model.

6. 1             Economic Issues

The idea of taxing remote sales is certainly nothing new to governments. Mail-order and telephone sales businesses have long allowed consumers to purchase goods outside of their home tax jurisdictions. These purchases have always been subject to a sales tax (Plotkin 9); however,  because governments have little authority to collect a sales tax in neighbouring tax jurisdictions, the use tax was invented. The use tax, to be collected from residents, applies to goods purchased from foreign vendors and “ used” in the consumer’s home state. “ The use tax is intended to reduce the incentive for residents to purchase goods from retailers located in lower-tax (or no-tax) jurisdictions. But the administrative costs of collecting use taxes are relatively high. As a result, governments tend to avoid those costs and rely primarily on residents to voluntarily pay the taxes. Relatively little revenue is collected, however.”  (Zimmerman 26)

6. 2             Practical Issues

Although, in some respects, the outgrowth of the current situation may be beneficial to e-commerce, it has negative consequences for government. The inherent nature of e-commerce allows online businesses to be started with less initial capital and to expect more immediate return on investment[17] than traditional brick and mortar business can. Although this may be beneficial to job growth, businesses that potentially generate less tax revenue are certainly not as attractive to governments. A business engaged in the reselling of goods may be able to accumulate large amounts of profit, while passing the tax from their purchases to the consumer, thus avoiding the collection of indirect taxes and only being liable for the remittance of direct taxes, many of which[18] may be deferred by the business for business expansion or for other reasons.

7                    Lost Revenue

There is another potentially common outcome, however. Consumers may simply use the unmonitored nature of the Internet to avoid paying due taxes altogether, by simply not declaring their purchases to the appropriate taxing authority. In many current cases this is not actually a deliberate illegal action on the consumer’s part, and in many other cases it may simply be a matter of convenience.

If the process for filing the documents required for the remittance of the requisite taxes owed to another jurisdiction simply takes too much effort, then many consumers will decide that paying their use taxes is just not important enough to expend all their time to “ give money away” to the government. This, of course, is a complication that is not only detrimental to the revenue intake of the world’s tax regimes, but it is an everyday occurrence with e-commerce transactions.

7. 1             Sale of Non-taxable Goods or Services

From an ROI point of view, offering a product line that avoids the requirements of indirect tax remittance as much as possible is a desirable thing for many businesses.

Avoiding indirect taxation will reduce the total cost of a transaction, thereby allowing a higher profit margin, while maintaining a competitive price structure. Also many small on-line businesses start by offering services, rather than dealing with the tax problems involved with the sale of tangible goods, which in many locations removes a great deal of tax burden[19]. The resale of products received from others is also a common online small business strategy that avoids any significant tax liability for the company.

7. 2             Skirting Taxation

Many nations will find it hard to benefit from this model of business. It will generate less revenue, and increase the difficulty of determining tax fraud from legitimate tax free purchases. Even the revenue offices will have to have international tax lawyers on hand to figure out the complicated legal interactions. This will increase their operations costs and will strain their lessened revenues and resources. It may also strain diplomatic relations with countries that do not have a tax treaty, but are pressing for their own right to collect on sales, use or distribution. Smith notes that one of the major reasons a company may choose to outsource is to avoid complicated or excessive tax requirements. (6)

This increase in governmental overhead with a reduced revenue stream may have a bad impact on consumers and businesses. It is conceivable that a government might place severe restrictions on international e-commerce in an attempt to curtail it’s revenue loss. Consumers and businesses will both feel the effects of what would amount to an economic depression localised solely to the government and its associated services. Local tax regulations are influential in determining the spending of consumers in the global marketplace, and the growth of on-line marketing for business. (Goolsbee and  Zittrain 413-428)

8                    Potential Solutions

There are two main solutions proposed by experts: Preferential treatment for e-commerce, and non-preferential treatment. The preferential camp believes that in order to promote e-commerce, on-line sales should simply not be taxed. The opposition group believes that, in order to avoid discrimination against local businesses (that are required to charge tax), and consumers that do not have consistent access to the Internet, on-line purchases should be taxed in local jurisdictions in the same way off-line purchases currently are.(McLure 3-6)

8. 1             Preferential vs. Non-Preferential Treatment

There are many cogent arguments for both systems. In the OECD’s “ Consumption Tax Aspects of Electronic Commerce”, a standardised registration system has been proposed, allowing non-resident business to register to charge, collect, and remit taxes to the relevant jurisdiction for sales they have conducted there. Although, at first glance, this seems to be a logical plan of action; however, several difficulties arise. The problems previously discussed, including the administration of the tax collection infrastructure, the enforcement of tax remittance regulations, and the identification of the appropriate tax jurisdiction, could increase the monetary and administrative costs associated with e-commerce transactions, both for the businesses and the tax jurisdictions, as well as for the end consumers. (17)

8. 2             Reshaping the System

There is, however, a third alternative in the preferential vs. non-preferential treatment argument. In the immediate future, fully removing indirect taxation on e-commerce transactions would cause a potentially massive revenue loss that would have to be recovered through some means. Of the currently available methods, the most appropriate for regaining local revenue from transactions that may occur anywhere in the world is an initial direct taxation, replacing the indirect sales and use tax with a direct income tax. This method does not advocate the breaking down of national boundaries or anything particularly new.  It is merely a shift from the traditional taxation of goods and services that flow across jurisdictional borders to a simple taxation of money that flows across borders. Taxes are garnered from entities with no obligation or restriction as to the possibility of cost recovery from their consumers. (Donald 3)

This would mean that products will have no mandated additional cost incurred by consumers, allowing any and all business to equally compete in the global economy. This taxation model also does not place any obligations or restrictions on who may gain monetarily by a transaction, and allows businesses to structure themselves as they see fit, while still promoting a more efficient distribution model in order to cut overall tax liability and allow for more efficient enterprise growth.

9                    Is the Solution in Sight?

“ Most scholars argue that the creation of a new tax system is perhaps a far-fetched thought.” (Basu, Tax ) However, it is obvious to the majority of concerned parties that the current system is not rising to the challenge of commerce in the twenty-first century. Unfortunately, the tax problems associated with e-commerce are not limited to the realms of economics, business, or technology. Politics is a determining factor in the discussion of when, if ever, a solution that is agreeable to all affected parties will be found.

9. 1             The Present

Currently, the solution to the problem of taxing e-commerce is elusive, due to nations implementing their own closed, unilateral plans. At first glance it may seem to be a good idea for governments to have full trade with their trade partners and only minor trade with others. However, the revenues potentially garnered by keeping a stranglehold on trade are nothing compared to the benefits of opening up a market with a worldwide consumer base. It may not seem that reducing taxation of e-commerce would gain any revenue, but as freer trade evolves between local businesses and the rest of the world, more jobs, income and economic gain will result from the increased customer base.

9. 2             The Future

The simplest approach to the problem will be a multilateral solution. If all the countries in the world would agree to remove the consumption tax exemptions for exports and to remit taxes collected to the customers’ countries of residence, countries would increase their tax revenue and protect their political and economic independence.. This solution would be possible within a solid economic union, such as the  European Union (Lejeune, Cambien and Joostens) but the odds of a looser economic grouping, such as the United States, implementing it are slim. Even if such a system could be established, it would quickly lead to the establishment of online retailers in low tax areas, creating tax-free havens.. (Basu, Tax )

10               Summary

In short, for many jurisdictions, the most currently formidable problem with respect to e-commerce is not yet the taxing of digital goods, but having to agree with other jurisdictions on an appropriate and politic plan to deal with foreign sales and use tax and establishing appropriate tax jurisdiction.” The Internet changes everything. More to the point, the Internet changes everything, including government. Old rules do not work well in this new borderless economy. Sometimes they do not work at all. Regardless, change is everywhere, and government has to change as well.”  (Gilmore 9)

10. 1        Example e-business

As many businesses want to grow and expand product lines and services they increasingly seek out electronic business opportunities. To avoid confusion for consumers as well as to compete more effectively in their markets, many seek out organisational structures that will avoid as many of the international e-commerce problems as they can. Hardesty states that there are many areas where the relationship between current tax laws and e-commerce is unclear, or simply not addressed. (3-10) Skirting the system like this is certainly not impossible, and is just another indication of the need for international tax reform in the light of e-commerce. Many start with making a subsidiary company registered in an e-commerce friendly location.[20]

The qualities of this location should minimize tax impact to the company itself, as well as to the consumer. Then the businesses must find a location for the e-commerce servers which will minimize server cost and will not tax sales made from that server. After that is accomplished, they must have a specialized lawyer review the plan and examine it for any international taxation laws or regulations that may be applicable. This situation is simply not viable for many businesses, however.

10. 2        Conclusion

In order for the current tax systems to catch up to e-commerce, governments must not only continue working together to develop equitable, logical and profitable solutions, they must take their partnership to the next level.  “ If the Internet and electronic commerce are threatening a crisis for global tax administration because of the dangers they create for existing tax regimes, they create opportunities as well.” ( Hellerstein and  Shackelford 8) E-commerce is not only the present, it is the future, as far ahead as anyone can see. Internet purchasing among consumers is rising exponentially, with no end in sight. As the global economy continues to become ever more digitized, an unparalleled opportunity exists  for the public sector and the private sector to work together to reshape the tax system for the benefit of all.

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[1]Sales Tax

[2]i. e. federal, state, municipal

[3]For example, A city petrol tax will recover cost from through traffic for the use of roads, while an income tax will pay the salaries of the legislature or parliament.

[4]“ A 2% surcharge on income tax would raise about the same amount of revenue as a 6% sales tax, and you’d end up with a much lower compliance cost and must less hassle.” (Varian)

[5]Due to the expansion of e-commerce in the past decade

[6 ] Such as software: See W3C Activities Related to the US “ Framework for Global Electronic Commerce”

[7]Such as database access, Web page coding, or Internet content filtering

[8]From The Free On-line Dictionary of Computing (FOLDOC), last updated on 13 Mar 01

[9]A private project begun in 2000

[10]VAT

[11]Put into law before the invention of e-commerce

[12]for reasons of convenience, confidentiality, or security

[13]i. e. jurisdictions where there exist trade conventions or similar agreements that deal appropriately with the multiple taxation of goods and services

[14]income tax being the most common type of direct taxation

[15]to the exclusion of indirect taxation

[16]such as a shipping or handling fee

[17]ROI

[18]This may occur under corporate tax law in some jurisdictions

[19]In many tax jurisdictions, the purchase of most services is non-taxable.

[20]i. e. A jurisdiction with little or no taxation on digital goods and services