Permanent establishment

The concept of permanent establishment (PE) in tax jurisdiction is changing as a result of digital innovations in international business. For a country like Nigeria, permanent establishment allows the country to tax the income or profit of foreign companies with a fixed place or physical presence in the country for 183 days or 12 months.

But digital businesses do not need a fixed place or maintain a physical presence in the country before they can make a profit. They do not necessarily need to have an office, a factory, or a workshop in Nigeria before generating a stable income from the country. Examples of digital businesses that make income from Nigeria include GoDaddy. Com, Amazon. Com, Ebay. Com, etc.

These companies do not have a fixed place of operation in Nigeria but generate income through digital presence in the country. This puts to test the concept of a permanent establishment in Nigerian tax jurisdiction. To understand the nature of permanent establishment in a digital economy, there is a need to investigate taxation jurisdiction on digital business from the angle of a developing country such as Nigeria.

This study will be guided by the following objectives: Examine the principle of permanent establishment as expounded in the United Nations (UN) and Organisation for Economic Co-operation and Development (OECD) Model; Discuss the impact of digital business on the concept of a permanent establishment?

Explore the possibility for a source state, such as Nigeria, to tax incomes generated by web platforms (i. e. Googleor Facebook); Identify and discuss the challenges faced by the Nigerian government in getting taxes from companies who operate in the digital economy; Use the new definition of a permanent establishment in Italy to analyze tax jurisdiction on digital business in Nigeria. This study will adopt qualitative research method of legal research, analyze the concept of permanent establishment as a framework for tax jurisdiction on digital business in Nigeria.

Primary documents such as the Nigerian tax laws (including the Avoidance of Double Taxation Agreement), the Italian tax laws (Conventions to Avoid Double Taxation), the UN Model Double Taxation Convention, the OECD Model and other documents that are relevant will be explored in the study.

Secondary source materials covering monographs, journal articles, magazines, books, movies, textbooks, long essays, dissertations, and theses will equally be explored to analyze tax jurisdiction in digital business in Nigeria. Content analysis will be used to study legal decisions relating to the permanent establishment and digital business in Nigeria.