

# 6th International Conference on Applied Research in Business, Management, and Economics

07 - 09 July 2023  
Zurich, Switzerland

## Digital Economy in Business Taxation

MSc. Matjaž Kovač

doctoral candidate for finance and tax law at the Faculty of Law, University of Maribor;  
a higher education lecturer for the subjects area Law;  
managing director of LEKSIAKOV, legal, business, financial and tax services l.t.d.  
Knafelčeva 30, Maribor, Slovenia

### Abstract

The digital economy is changing the way in which people communicate, consume, and operate. Digital companies grow much faster than the economy in general, and this trend is expected to continue. Digital technologies bring a lot of benefits to the company and, from a tax perspective, create opportunities for tax administrations and offer solutions for reducing administrative burdens, facilitating cooperation between tax authorities and addressing tax evasion. However, digitization also brings pressure on the international tax system to change business models. The Common Consolidated Tax Base (hereinafter: CCCTB) is a system of common rules for the calculation of the tax base of enterprises that are tax resident in the EU and permanent business units of third country companies in the EU. The common tax framework sets out the rules for calculating the tax base of each company (or permanent establishment), the tax burden of individual entities, the consolidation of the tax base, if there are other members of the group and the distribution of the consolidated tax base for each eligible Member State. However, the CCCTB with its current scope would not offer a structural solution to some of the important challenges in taxing businesses of the digital economy. This is because the CCCTB has a limited scope (it is mandatory only for large multinational companies) and because the definition of a permanent establishment in the CCCTB follows the one currently applied internationally. The profit allocation rules in the CCCTB may not sufficiently capture the digital activities of a company. The rules on a taxable nexus for digital activities should be included in the CCCTB. With respect to allocating the profits of large multinational groups, the formula apportionment approach in the CCCTB should be adapted in order to effectively capturing digital activities.

**Keywords:** Digital Economy, Corporate Taxation, EU Member States, An Important Digital Presence, CCCTB