

# Introduction to the dimensions of digitalisation

## Module 4 The Economy of Digitalisation

# Introduction to the dimensions of digitalisation

## Module 4.1: Mapping the Requirements

# Agenda

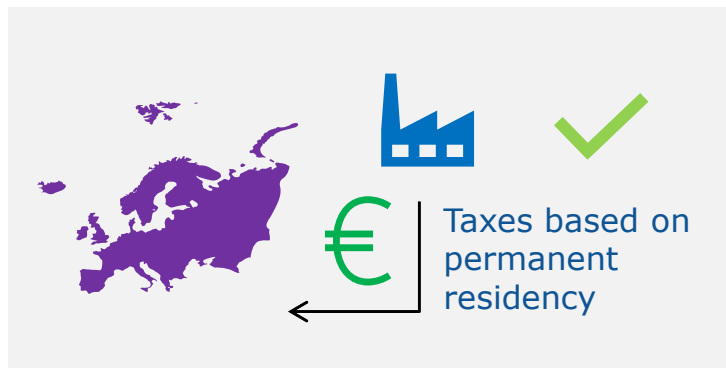
## **Module 4.1: Mapping the Requirements**

- Pillar 1: Taxation
- Pillar 2: Intellectual Property Rights (IPR)
- Pillar 3: Financial Inclusion

# Taxation


The digital economy raises challenges for taxation

## Traditional Economy



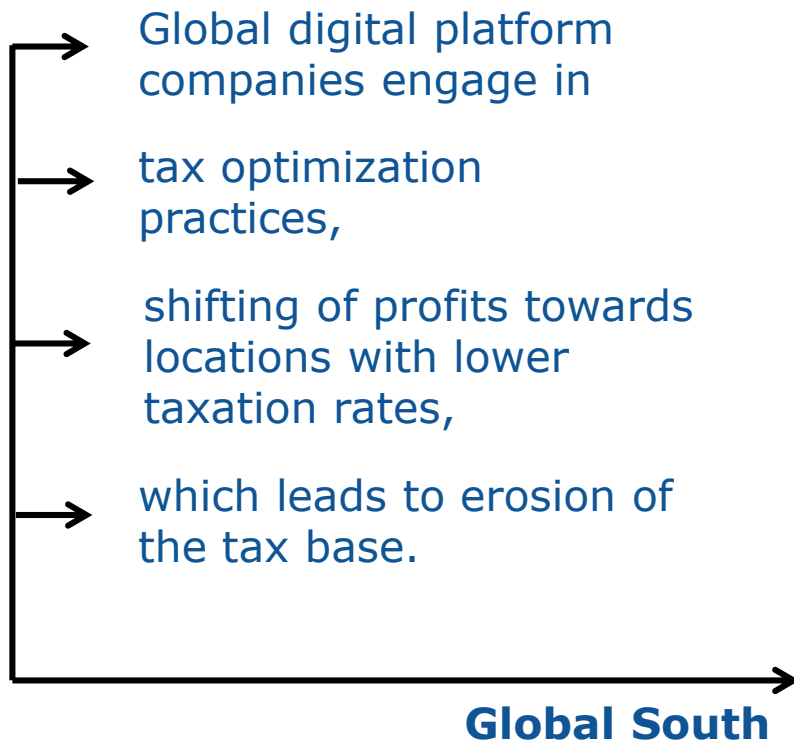
## Digital Economy



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1. Where to tax non-resident digital businesses?
  2. How to assess intra-group transactions?
  3. How to classify digital goods?
  4. How to identify taxpayers?
  5. Where and how to collect taxes?

# Taxation

The digital economy raises challenges for taxation



- Developing countries do have low tax rates
- But lack digital infrastructure (including legislation and trust) to attract big digital firms
- While these markets become more and more important
- Taxes are paid somewhere else

# Taxation

Approaches for taxing digital businesses  
Example: European Union





# Taxation

## Approaches for taxing digital businesses

### Example: Benin

#### Trend in Africa: Consumer related taxes

Government Benin proposed a tax on over-the-top-services (OTT):

- **5% tax** on the pre-tax price for voice, SMS and internet services
- **5 CFA fee per MB** for data used to access social media and OTTs

Benin reversed the policy quickly after protests.

A research by A4AI also revealed the possible negative impact of suchs models. The initiative calls for more **holistic assessment of the impacts of taxes**, particularly how they may **decrease internet use** and have negative spillover effects for the economy as a whole.

# Taxation

## Approaches for taxing digital businesses Example: Malaysia

In a **recent study on Malaysia**, the World Bank identified **four ways to improve taxation** of digital goods and services provided by non-resident companies:

1. **Tax digital transactions indirectly**, by
  - (a) requiring suppliers to collect goods and services tax/sales and services tax in line with international practice.
2. **Tax digital transactions directly**, by
  - (a) redefining permanent establishment rules,
  - (b) expanding existing tax on technical services
  - (c) establishing a new, freestanding tax on the income from digital transactions.

All options were considered to have advantages and disadvantages



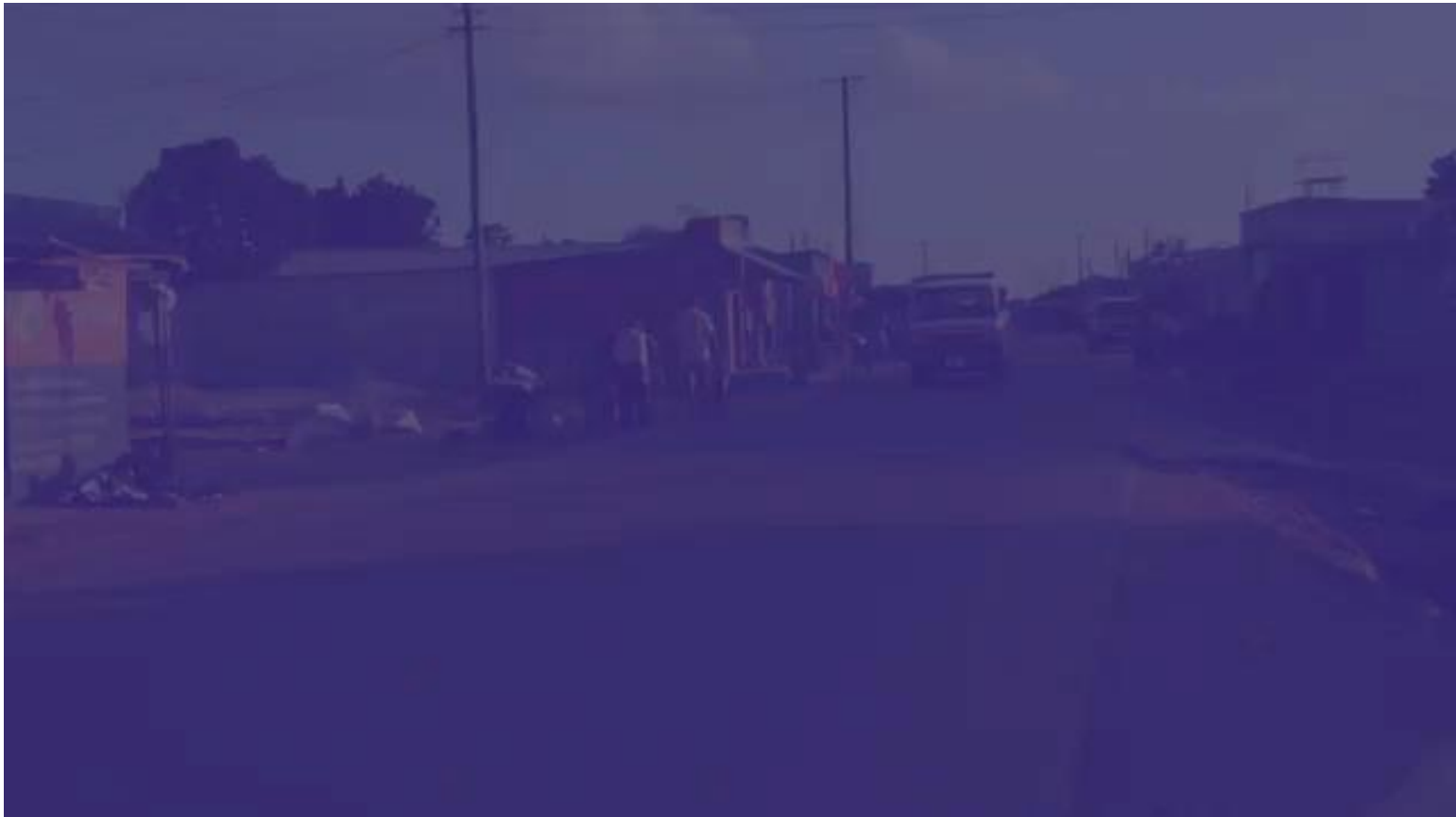
# Taxation

## Wrap Up

- The **taxation debate** for the digital economy faces **major challenges**:
  - business can be **virtually** conducted without any physical presence
  - reliance on intangibles increases the ability of companies to structure themselves to **minimise their tax liabilities**
  - New delivery channels and business models are hardly matched by **existing rules**
- The **international community** has agreed on a road map for resolving the tax challenges arising from the digitalisation of the economy, and committed to continue working toward a **consensus-based long-term solution** by the end of 2020.
- The imperative of **technological neutrality** in applying taxes should guide further discussions.

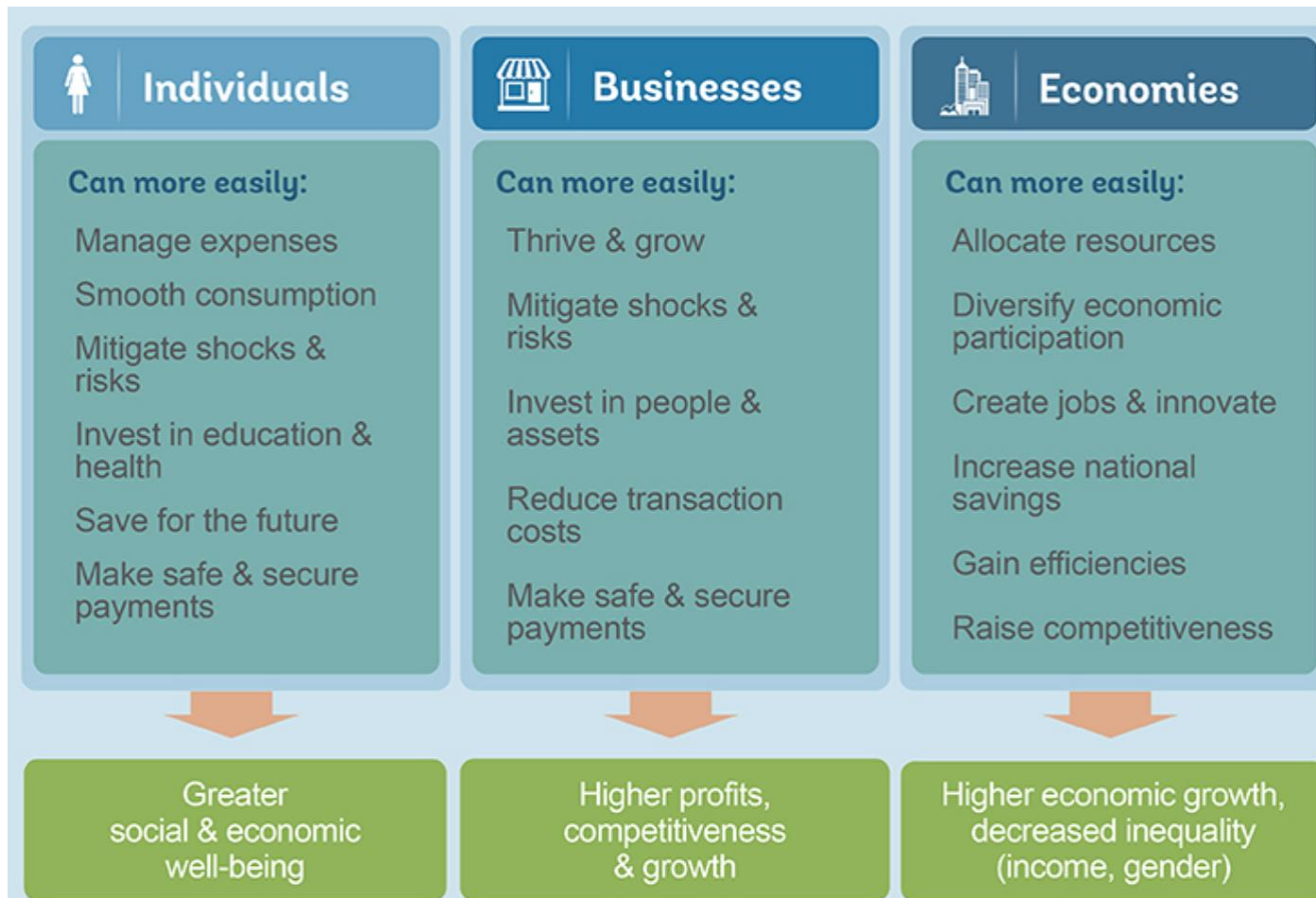
# Financial Inclusion

FinTech provides new options



# Financial inclusion

A game changer for development?



Source:  
Worldbank,  
Gateway to  
Financial  
Inclusion

# FinTech - *Quiz*



**1. Which country has the highest number of FinTech users?**

a) Kenya KE

b) China CN

c) United States US

d) India IN

# FinTech - *Quiz*



**2. How many people worldwide do not have a bank account or access to financial institutions via any device?**

- a) 500 million
- b) 3 Billion
- c) 2.2 Billion
- d) 2 Billion

# FinTech - *Quiz*



**2. How many more percent of men have bank accounts in comparison to women?**

- a) 10%
- b) 7%
- c) 23%
- d) 2%

# FinTech - *Quiz*

## 3. Bankymoon is:



- a) A company that aims to use blockchain based solutions in developing countries to send money directly to electricity smart meters to provide poor schools with electricity
- b) A company that allows the transfer of medical records from the health institutions to the person directly
- c) A philanthropic company started by Ban Ki-Moon
- d) A company that provides mobile payments services in Zanzibar

## FinTech - *Quiz*

**5. In 5 countries in Sub-Saharan Africa more adults have only a mobile money account than an account at a financial institution – which countries?**

- a) Cote d'Ivoire, Somalia, Tanzania, Uganda, and Zimbabwe
- b) Nigeria, Rwanda, Tanzania, Uganda, and Malawi
- c) Cote d'Ivoire, Malawi, South Africa, Benin, and Angola
- d) Angola, Rwanda, Botswana, Chad, and Zimbabwe





# Financial Inclusion

## Wrap Up

- Low-income consumers in developing economies have **limited access** and low sustained **usage of financial services**.
- **Fintech** provides an **opportunity to promote the financial inclusion** of low income households in developing countries, whilst recognising the drivers of financial inclusion.
- Greater **financial inclusion** can be a **catalyst for eradicating poverty**, and for developing especially the small **business** sector.
- Fintech must include both **access and usage** of financial services focusing on affordability, appropriateness, financial literacy, regulations and fair competition.