

Introduction to the dimensions of digitalisation

Module 4.1: Mapping the Requirements

Agenda

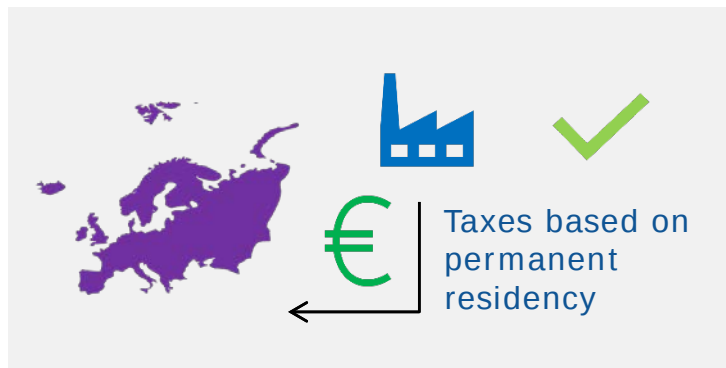
Module 4.1: Mapping the Requirements

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

Taxation

The digital economy raises challenges for taxation

Traditional Economy



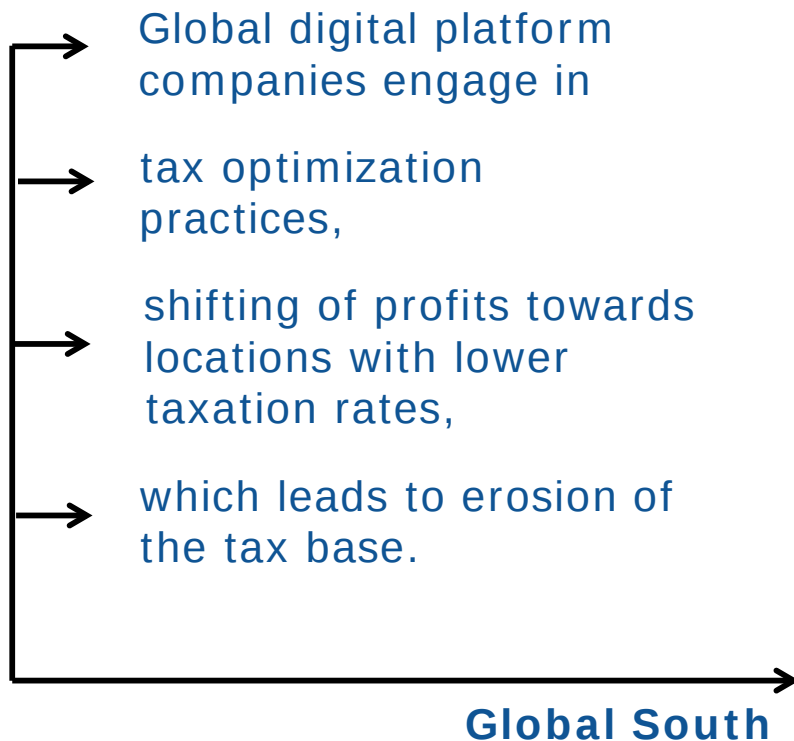
Digital Economy

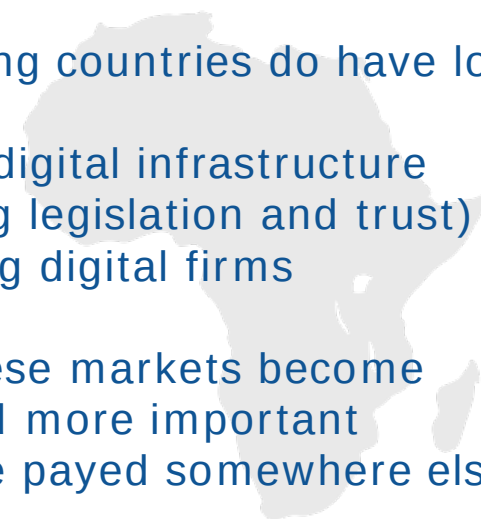


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1. Where to tax non-resident digital businesses?
 2. How to assess intra-group transactions?
 3. How to classify digital goods?
 4. How to identify taxpayers?
 5. Where and how to collect taxes?

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: OECD Inclusive Framework on BEPS

- *Background:*
 - Framework is developed in order to tackle domestic **tax base erosion and profit shifting (BEPS)** due to multinational enterprises exploiting gaps and mismatches between different countries' tax systems affects all countries. (Developing countries' higher reliance on corporate income tax means they suffer from BEPS disproportionately.)
 - As **businesses act globally**, governments have to agree on a global approach. In the this Project, over 60 countries cooperate to tackle tax avoidance, improve the coherence of international tax rules and ensure a more transparent tax environment
- *Tax and Digitalisation*
 - According to the project **digitalisation presents no unique BEPS** issues
 - But introduces some challenges that go beyond BEPS, notably in relation to „nexus, data and characterization“
 - Also there is a wide range of implications as it offers potentials and introduces new challenges
 - **Potentials:** More tax-income thanks to better economy, more data on taxation and e.g. the transition of informal to formal work thanks to online platforms (see GIG-Example)
 - **Challenges:** the high importance of intangible assets in digital businesses as profit drivers makes these ideally placed to shift income to low tax countries
 - New intangible values as bitcoins are difficult to track and to tax

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.



10 min

Intellectual Property Rights

Discussion: EU Copyright Directive



PROS

- Overdue adaption of copyright legislation to the requirements of the digital economy
- Stronger position for rightsholders when negotiating with platforms
- Stimulation of quality content and fair remuneration
- More security for authors and performers (dispute resolution, remuneration, contracts)



CONS

- Potential growth limitations for user-generated business models
- Measures could restrict freedom of expression and reduce access to knowledge in the online sphere
- Upload filters and global licensing involve considerable costs and practical application problems

- 1) What do you think about the EU Copyright Directive?
- 2) Where do you see the relevance for developing countries?

Intellectual Property Rights

Relevance

Intellectual Property Rights (IPR) in the digital age:

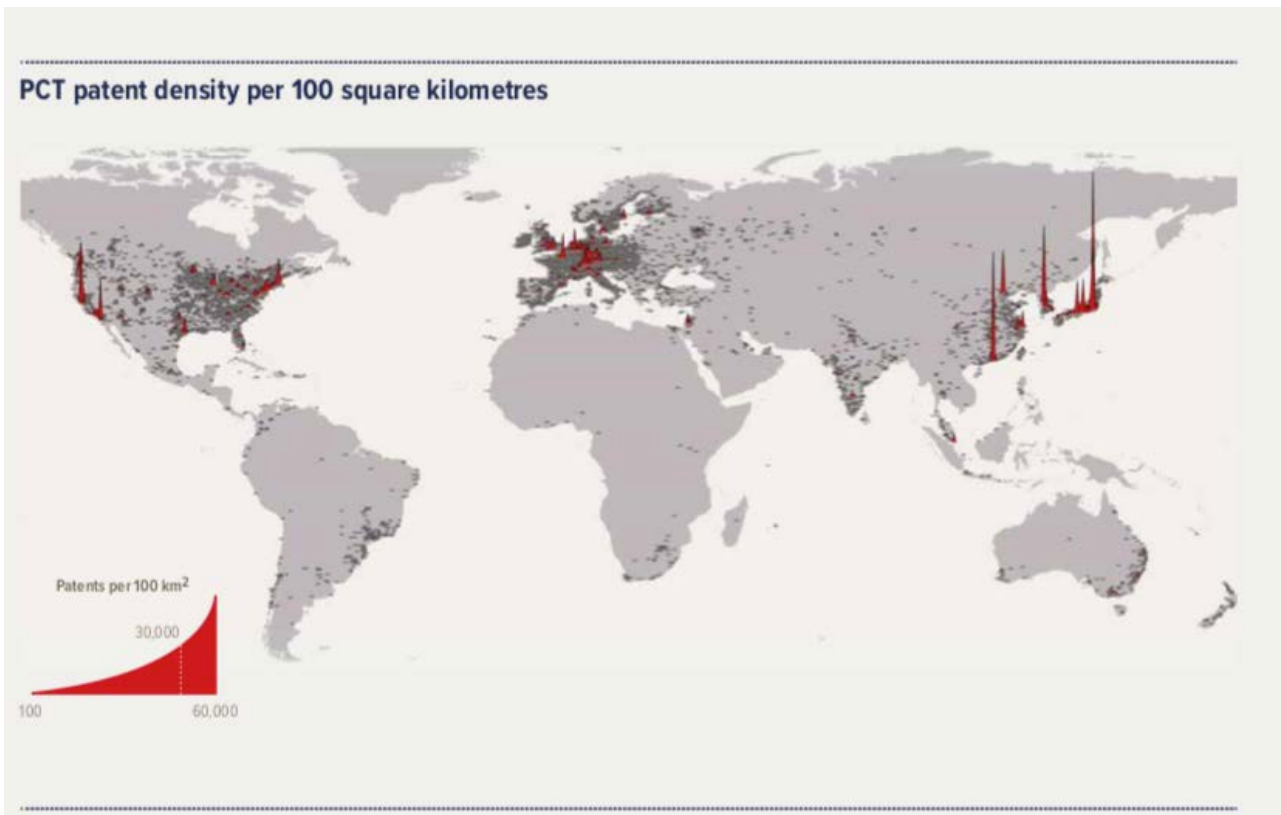
- encourage new ideas
- affect innovation performance
- provide incentives for investment and for universities to transfer knowledge
- impact how individuals and firms can access and exploit existing knowledge on efficient terms



→ The data-driven economy builds on the knowledge-based economy, in which the essential capital is intellectual property (IP).

Intellectual Property Rights

Status quo in Africa



Patent Cooperation Treaty (PTC) is an international law treaty.
Source: Table taken from the International Innovation Index 2018

Where African economies fall short is in two predominant areas:

First, there is a lack of legal enforcement of IP rights.

Second, simply not enough people in Africa are registering their IP.

In sum, the current local systems in place to register IP are inaccessible, time consuming and difficult to use.

Intellectual Property Rights

Example: Microsoft4Afrika

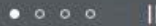
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Turning Today's Ideas Into Tomorrow's Solutions

Due to her unique challenges and the digital revolution, Africa has the potential to give the world more solutions than ever.





Intellectual Property Rights

Wrap Up

- The digital transformation raises novel challenges on **Intellectual Property Rights (IPR) and data**: e.g. commercialisation of data, patentability of data bases and ownership of data.
- The suitability of traditional measures for **incentivizing** the production of IP (patents and copyright) has to be discussed.
- Because of different national circumstances and optimal policy choices, **IPR protection is uneven** across countries.

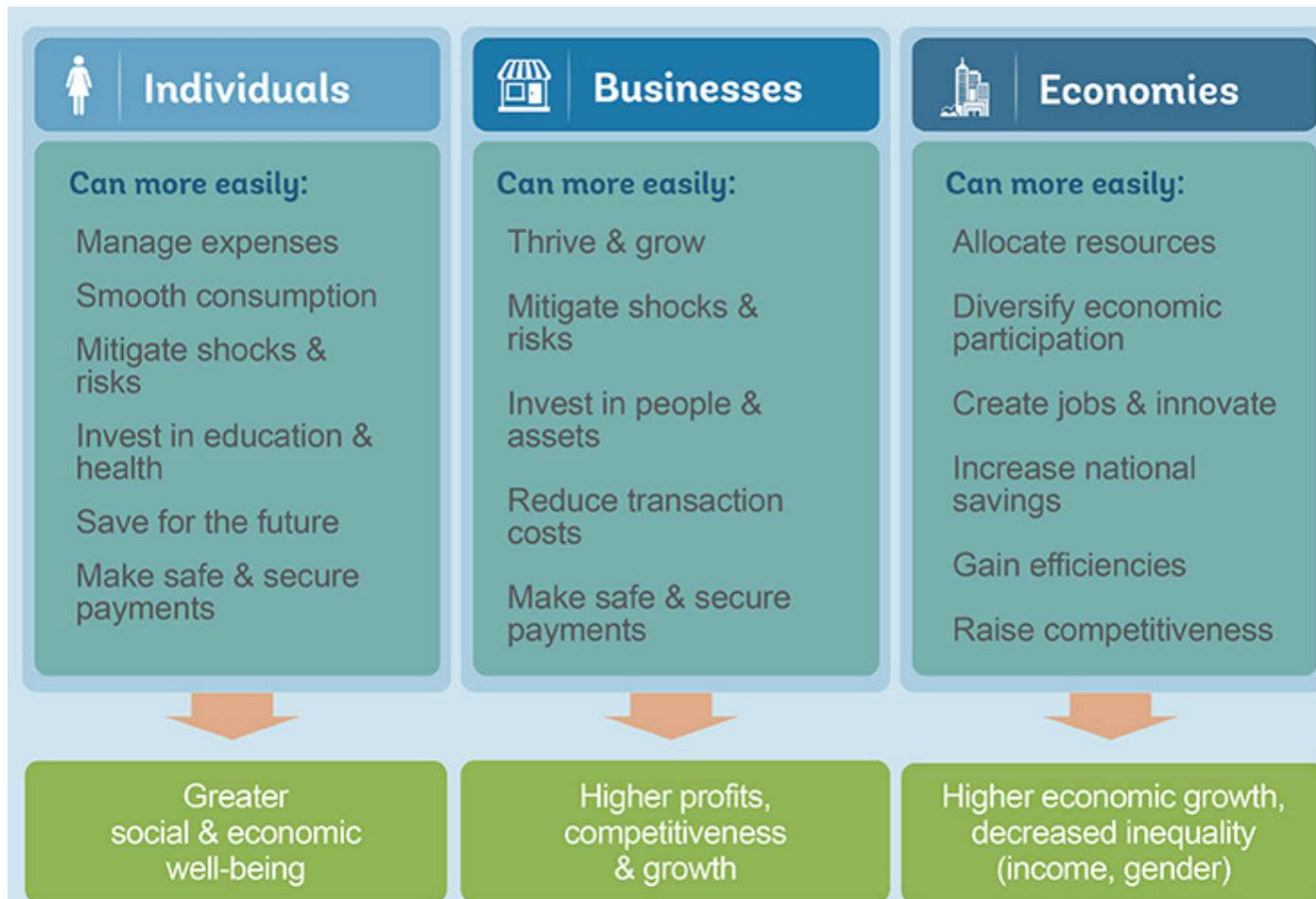
Financial Inclusion

FinTech provides new options



Financial inclusion

A game changer for development?



Source:
Worldbank,
Gateway to
Financial
Inclusion



10 min

Financial Inclusion

Discussion: How do we achieve financial inclusion?



Financial Inclusion

Example: Ant Financial



Big Data analysis
instead of loan officers
and lawyers



Fast-Track loan
application process:
3minutes



Non-Performing loan
ratio for SME credit at
around 1%

Ant Financial is a financial services affiliate of Alibaba and is the most valuable fintech firm in the world. In 2018, Ant Financial raised \$14 billion in venture capital



Loans for more than 4
millions Chinese
SMEs since 2014



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.

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

