IFA 2027 STOCKHOLM CONGRESS

Subject 2: Taxation of Services in the Digital Era

Directives for Branch Reports

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INTRODUCTION

The taxation of services has long been a controversial area of international tax law. It was analysed on the occasion of the IFA 2012 Boston Congress.[1] However, since 2012 this topic has evolved significantly in light of the transformation of the global economy, as services have become the dominant form of cross-border trade. At the same time, an increasing proportion of services is provided remotely, with little or no human intervention.[2] These developments raise complex challenges and have triggered different types of responses, resulting in largely uncoordinated approaches to the taxation of services. Although attempts have been made and are ongoing at the global and regional levels to reach a higher degree of consensus, no widely accepted solution has yet been reached. In light of these developments, the Permanent Scientific Committee of IFA decided to dedicate one of the two Main Subjects of the 2027 IFA Congress to the taxation of services in the digital era.

The present Directives are structured in two main parts. The first part is devoted to the description of a country's domestic law in relation to the taxation of cross-border services, while the second part addresses how international commitments may affect such taxation.

[1] See Ariane Pickering, General Report, *Entreprise Services*, IFA *Cahiers de Droit Fiscal International*, vol. 97a (2012).
[2] Over the last 15 years, the digital economy is said to have grown two and a half times faster than the global GDP: see https://pro.bloombergtax.com/insights/international-tax/understanding-digital-services-taxes-the-oecd/#oecd-and-taxation (accessed 28 April 2026).

GENERAL INFORMATION

General Reporter's contact information

The General Reporter is Prof. Dr. Jérôme Monsenego (Stockholm University). Branch Reporters who wish to contact the General Reporter are invited to do so using the following email address: jerome.monsenego@juridicum.su.se

What is expected from the Branch Reporters

Two specific tasks should be completed by each Branch Reporter:

First, and most importantly, Branch Reporters need to draft a Branch Report for the jurisdiction that they represent. The report should be prepared on the basis of the present Directives and, as explained below, should focus on the relevant legislation, tax treaty provisions and guidance produced, in that jurisdiction, by courts and tax administrations. The report should be preceded by a **1,000** words "Summary and conclusions" section that will constitute a short executive summary of the report.

Second, as indicated in Annex 2, Branch Reporters are invited to provide to the General Reporter a copy of the relevant legislation, court decisions and administrative pronouncements that are referred to in their Branch Report. Preferably, such guidance should be available in the original language and in English, in electronic form.

Language and format of the Branch Reports

While IFA rules allow the Branch Reports to be submitted in English, French or German, it is clear that Branch Reports that are in English will reach a much larger audience as Branch Reports in French and German will not be translated. Also, if a report is submitted in either French or German, summaries/conclusions in English will need to be provided by the Branch Reporters. It is not permitted to use automated text, artificial intelligence and data mining to produce the Branch Report.

Each Branch Report should be readable on its own without reference to these Directives, which will not be reproduced in the *Cahiers*. Therefore, even when the Directives formulate questions, please do not just directly reply to them, but include an articulated and self-standing answer. The Branch Reports should not attempt to address all the issues included in these Directives since these issues are merely illustrative of issues that may be covered under each subsection. In order to facilitate comparison and to make sure that the same topics are covered, Branch Reports should, however, follow the general structure of these Directives as per the format of the Directives attached hereto as Annex 1.

The maximum length for a Branch Report is **10,000** words (including footnotes, appendices and bibliography). This, however, does not include the Summary and conclusions section and the text of court decisions and administrative pronouncements that Branch Reporters are also invited to provide (as indicated above). Branch Reporters should allocate that overall limit based on the guidance that is available, in their jurisdiction, on the various topics covered in these Directives since it is unlikely that, in any jurisdiction, there will be guidance on all the issues raised in these Directives.

In order to facilitate the comparison between the different jurisdictions, Branch Reporters should follow the various headings and the section numbering found in the Directives in Annex 1. Headings under which a Branch Reporter has little to contribute should still appear in the Branch Report, if only to report that there is no guidance on the topic in that jurisdiction.

The Branch Report should not contain references to page numbers of the report itself.

Timetable

By 30th of September 2026, Branch Reporters are strongly encouraged to send to the General Reporter a close-to-final or final draft of the Branch Report. The final deadline for submission of the Branch Reports to the General Reporter and the IFA General Secretariat is the **15th of November 2026**. This deadline date must be strictly adhered to, in view of editing and publication schedules. The *Cahiers* must be made available electronically well in time before the start of the congress. Furthermore, the deadline is important to the General Reporter to allow him/her sufficient time to write their General Report for submission by the **15th of April 2027.** In the case of delays, a Branch Report may not be considered for drafting the General Report and may not be published.

Addendum

If a Branch Reporter expects radical changes in their domestic legislation relating to the subject between the date of submission of the report and the publication date thereof, he may, following prior consultation with the General Secretariat, supply an additional one-page Addendum to the report, for publication in the *Cahiers*, explaining such changes in legislation, but not subsequent to the **1st of February 2027**.

Reporters' biographies

The Branch Reporters are requested to include an abstract with a maximum of 400 words together with a half page biography with a maximum of 300 words and a color photo in portrait style and high resolution which shall be included in the digital publication of the *Cahiers*. Full personal biographies will not be printed, but shortened at IFA's discretion.

Publication of the *Cahiers*

The printed publication of the *Cahiers* consists of the General Reports of both Subject 1 and Subject 2, the topical and special reports (if existing), and the summary and conclusions of all Branch Reports. The digital publication consists of the General

Reports, the topical and special reports (if existing), and all Branch Reports, including biographies, abstracts, and Directives. The digital publication will be made available through the secured section of the website of IFA, and the website of its sister organisation, the IBFD. The digital publication will contain easy access to all reports, making it more available for its audience. It will be featured with a user-friendly search function, and all reports can be downloaded for offline consultation.

Meetings with the General Reporter

The following preparatory meetings will be hosted online and onsite:

- Online meetings to be arranged by the General Reporter
- Sunday 18 October 2026, – **onsite** meeting at the venue of the IFA 2026 Melbourne Congress. Please note that **this meeting will not be streamed online**.

A summary of the discussion during each preparatory meeting will be distributed to all Branch Reporters via email.

DESCRIPTION OF THE SUBJECT

Cross-border services raise a number of tax policy and legal issues, ranging from the possible application of different taxes to various types of services, the policy choices between taxation at origin or destination, the determination of an appropriate nexus, to more technical problems such as the qualification of income. These challenges are not new. However, digitalisation, changes in business models and consumer habits, as well as geopolitical developments have significantly exacerbated these challenges, calling into question fundamental principles of taxation that have traditionally relied on physical presence as a proxy for the allocation of taxing rights.

As a result, different groups of countries have adopted various approaches to addressing the tax challenges raised by cross-border services, both within and outside the income tax framework. Some jurisdictions continue to favour residence-based taxation combined with net taxation of income attributable to a permanent establishment in accordance with the arm’s length principle. Other countries consider physical presence, net taxation, and arm’s length-based profit allocation to be inadequate proxies for the allocation of taxing rights in the digital context and may therefore favour source-based taxation, for example through withholding taxes on payments for services provided by non-residents, the application of an alternative nexus such as a digital permanent establishment or a significant economic presence, or the imposition of taxes on the turnover derived from the provision of certain categories of cross-border services. In addition, the design, function, and scope of VAT and GST with respect to cross-border services vary between countries.

These divergent approaches reflect a lack of global consensus on the taxation of cross-border services and give rise to an increased risk of multiple taxation, tax planning opportunities, and trade tensions. The OECD/G20 BEPS Action 1 Final Report concluded that the digital economy cannot be ring-fenced from the rest of the economy. This work was followed by the Pillar One/Amount A proposal, which aimed at a partial reallocation of taxing rights to market jurisdictions. At the time of the preparation of these Directives, however, the Multilateral Convention for the implementation of Amount A had not been opened for signature, and the prospects for doing so appeared limited. Nor have regional initiatives, such as the European proposals for Directives on a digital services tax and on a significant economic presence, been implemented. The UN Model Tax Convention introduced specific provisions aimed at services through Articles 12A, 12B, and, most recently, 12AA. While Articles 12B and 12AA represent an important policy development, their influence on tax treaty practice has so far remained limited. A further attempt to reach global consensus is currently underway under the auspices of the United Nations, in the context of the project for a Framework Convention on International Tax Cooperation, which is envisaged to be complemented by a protocol addressing the taxation of income derived from the provision of cross-border services in an increasingly digitalised and globalised economy.

Against this background, the present Directives aim to help Branch Reporters provide a detailed picture of how their countries currently approach the taxation of services in the digital era. On the basis of the Branch Reports, the General Report will provide an overview of the domestic rules of the participating countries, together with how such rules are affected by international commitments. The General Report will also seek to identify similarities and differences. However, it will not assess existing reform projects nor put forward any specific proposals.

ANNEX 1 – DIRECTIVES FOR THE BRANCH REPORTS

Introductory comments and limitations

This outline addresses the taxation of all types of cross-border services, with a focus on income taxes, indirect taxes, and other measures specifically targeting certain categories of such services. However, taxation of individuals performing services as employees falls outside the scope of both the national and general reports.

The outline seeks to reflect the diversity of approaches among participating jurisdictions. Accordingly, the outline includes both policy-oriented and technical questions.

Given the breadth of the topic and the significant differences between participating countries, **<u>not all questions will be relevant for all jurisdictions</u>**. Conversely, **<u>issues or possible reforms not explicitly addressed in these Directives may need to be reported by Branch Reporters</u>**.

1 Introduction

1.1 <u>Summary and conclusions</u>

The report should be preceded by a "Summary and conclusions" section that will constitute a short "executive summary" of the report. This summary should not exceed 1.000 words and should logically be prepared after the report has been completed. The Summary and conclusions section shall be printed in the *Cahiers*.

1.2 <u>Background information</u>

Is your country primarily an exporter, importer, or consumer of services, or a combination thereof?

How has digitalisation affected the way services are supplied, consumed, or paid for in your country?

How important is the taxation of services for public revenues?

How important is the promotion of digital innovation (e.g. AI development) in your country's economic policy, and how does this influence tax policy choices?

What policy concerns (e.g. prevention of BEPS, fairness, neutrality, taxation of "value creation", prevention of double (non) taxation, administrability, non-implementation of Amount A of Pillar 1, scope of VAT/GST, etc.) have influenced your country's past, present, and potential future approaches to the taxation of services?

Please indicate whether the term “services” is defined in your country's domestic law (whether positively or negatively), and whether different definitions are used for the purpose of different types of taxes.

2 Domestic law

This section of the Directives is divided into three parts. The first part covers the domestic income tax aspects relating to cross-border services (section 2.1), the second focuses on the VAT/GST rules relating to cross-border services (section 2.2), and the third is devoted to other measures (section 2.3).

Branch Reporters are asked to describe the underlying policy rationale of the measures described. Where relevant, please indicate whether parts of your country’s tax system targeting cross-border services are intended to be permanent or rather temporary measures pending multilateral reform. Where different measures may apply, please describe the interaction between them, in particular whether multiple taxes may apply cumulatively and, if not, which rule order applies.

Finally, please indicate the most relevant court cases with respect to the domestic measures presented, including constitutional issues.

2.1 <u>Income tax aspects relating to cross-border services</u>

This part is divided into the taxation of residents (2.1.1) and non-residents (2.1.2).

2.1.1 The taxation of residents

Are resident service providers taxed on a worldwide or territorial basis? Are services taxed as ordinary business income, or is there a specific income category or tax for services? In the latter case, please provide indications as to how services are defined and distinguished from other activities.

If income from services provided to foreign recipients is exempt in the State of residence, how are expenses related to such services treated?

Are there deductibility limitations when services are purchased from foreign service providers?

How does your country generally approach the transfer pricing aspects of services? Does it apply the arm’s length principle and the benefits test? What transfer pricing method(s) does it typically apply to intragroup services?

From a transfer pricing perspective, how does your country apply the functional analysis to digital business models? Does it focus on the performance of functions and the control over risks through the activities of employees, even in the case of functions performed or risks controlled remotely, digitally, or with the help of AI tools?

When services provided by residents to foreign recipients are taxed abroad (e.g., on the basis of a permanent establishment, a withholding tax, a digital services tax, or another measure), please explain whether, and if so how, double taxation is eliminated under domestic law. Please also consider the consequences of the domestic characterisation of the income, the domestic characterisation of the foreign taxes, as well as, when relevant, of taxes being levied on a gross basis.

2.1.2 The taxation of non-residents

2.1.2.1 General approach to the taxation of non-residents

Please describe your country's general approach to the taxation of the income of non-resident service providers, and whether any reforms are being considered.

2.1.2.2 Service PE

Does your country tax non-resident providers of services on the basis of a service PE provision? If so, please indicate its policy rationale, main features, services in scope, as well as nexus and profit attribution rules.

Is the service PE viewed primarily as an enabling concept for the taxation of services, or rather as a limiting concept, for example because of the need to meet specific thresholds or because taxation is limited to a net basis?

Are rules in place to prevent the fragmentation of service activities or the presence of personnel, to avoid the service PE provision?

2.1.2.3 Digital PE and significant economic presence

If your country has implemented a digital PE or significant economic presence concept, please indicate the policy rationale, activities covered or excluded, nexus and thresholds applied, together with tax base determination and profit attribution rules.

2.1.2.4 Withholding taxes

Does domestic law impose withholding taxes on outbound payments for (different types of) services provided by non-residents? If so, please describe the policy rationale, possible influence of the UN Model Tax Convention, material scope, nexus, source rules, tax base, and tax rate.

Please indicate in which transactional context (i.e. B2B, B2C, C2B and C2C) these withholding taxes apply, and whether it is the service provider or the payer that is considered the taxpayer.

How does domestic law address mixed or bundled transactions involving different types of services, including (but not limited to) services that are (partly) provided remotely? Where relevant, please do not hesitate to refer to the Branch report for your country written as part of Subject 1 (Taxation of Royalties) of the 2026 IFA Congress in Melbourne in case this issue is already addressed there.

2.2 VAT/GST rules relating to cross-border services

This section aims to provide a high-level comparative overview of how the participating countries' indirect taxes apply to cross-border supplies of services, with a particular focus on services provided digitally. Branch reporters are not expected to make a detailed presentation of their rules, but to focus on the key aspects of their indirect tax systems with respect to cross-border services.

Branch reports from Member States of the European Union can limit their input to emphasising the peculiarities of their country's VAT rules in view of the EU VAT Directive.

2.2.1 Core VAT/GST framework for cross-border services

Please provide a general background to the VAT/GST framework in your country, including the relevance of the destination principle, how the notion of "service" is defined, and whether there is a specific definition of digitally supplied services.

How are outbound and inbound cross-border services taxed in B2B and B2C situations?

What are the general rules for determining the place of supply for cross-border services in B2B and B2C situations? Please indicate whether there are significant exceptions, including override rules that modify the place of supply for certain cross-border services.

2.2.2 VAT/GST rules relating to digitally supplied services

Are cross-border digitally supplied services within the scope of your country's VAT/GST?

Are there specific VAT/GST rules for digitally supplied services? If so, how do they differ from the general VAT/GST framework?

How does your country apply the concept of a fixed establishment or similar presence for VAT/GST purposes in relation to cross-border digital services?

Do special rules apply to digital platforms or marketplaces? In which cases may a platform or marketplace become liable for VAT/GST?

Is there a link between your country's VAT/GST framework and its lack of rules specifically targeting digitally supplied services?

2.3 Other measures

If your country has implemented a digital services tax, i.e. a tax on revenues from certain digital services (e.g. online advertising, intermediary services, the sale of user data, etc.), please describe the policy rationale and whether your country has introduced sunset clauses or conditional repeal mechanisms linked to trade agreements or multilateral solutions (e.g. possible adoption of Article 12B in tax treaties, Amount A of Pillar 1, a coordinated DST, etc.).

Describe the types of services covered by the tax together with their definition, the transactional contexts in which the tax applies (i.e. B2B, B2C, C2B, and C2C), together with the applicable rules on nexus, thresholds, source, tax base, and tax rate.

Is the digital services tax characterised as a direct or indirect tax under domestic law?

Please describe any other taxes in your country's domestic law that are relevant to the taxation of cross-border services, such as (the list is not exhaustive) taxes on streaming, digital financial transactions, content levies, taxes on bandwidth, special-purpose levies on different types of services, contributions on imports of services, taxes on contributions to economic activities in a country, taxes on foreign exchange transactions, etc. Please also provide the policy rationale behind such taxes, their main technical features, as well as the most important court cases related to them.

3 International commitments

3.1 Tax treaties

3.1.1 Introductory considerations

Please indicate how many tax treaties your country has concluded, the general policy objectives favoured in treaty negotiations, and if there is any group of countries with which your country has particular ties influencing its tax treaty network.

Describe the relationship between tax treaties and domestic law in your country's legal order, including precedence rules and cases of treaty override.

Please describe the general approach of your country's tax treaty network with respect to services, including preferences for the different model conventions, PE thresholds, withholding taxes, independent personal services, most-favoured-nation provisions relating to the taxation of services, and if your country refused to conclude or terminated tax treaties for reasons related to the taxation of services.

In view of the ongoing work within the UN, does your country have a public position as to the negotiations for a UN Framework Convention on International Tax Cooperation with regard to workstream II ("taxation of income derived from the provision of cross-border services in an increasingly digitalized and globalized economy"[3])?

When responding to the questions set out below, please provide information on the most relevant court cases.

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[3] See *Terms of Reference for a United Nations Framework Convention on International Tax Cooperation*, A/AC.298/2.

3.1.2 Service PE

For the tax treaties of your country's tax treaty network that contain service PE provisions, please indicate whether the provision follows the UN Model, the Commentary on Article 5 of the OECD Model, or contains deviations from the models. Indicate also the relevant profit attribution method, such as the AOA, former Art. 7 OECD MTC, Art. 7 UN MTC, or other.

Which types of services, and which activities related to the provision of services are considered as preparatory and ancillary, or, in contrast, are deemed to constitute the core business of the service provider?

Present the most important court cases of your country interpreting the service PE provision, indicating the extent to which courts have relied on the Commentaries to the OECD or UN Model Tax Conventions, e.g. with respect to (the list is not exhaustive) the interpretation of a "minimum level of presence", when a service is considered "furnished", or whether profits have been attributed that differ from the functional return of the personnel physically present in the service PE.

3.1.3 Digital PE and significant economic presence

Is a specific treaty provision required to enable taxation of a digital PE or significant economic presence, or would domestic law suffice to exercise taxing rights?

Where relevant, please indicate whether the application of digital PE or significant economic presence rules has raised issues of treaty override in the preparatory works and/or in case law, together with the reasons for potential conflicts with tax treaties.

3.1.4 Withholding taxes

The following subsections distinguish withholding taxes by reference to the type of services targeted, from generic to specific withholding taxes.

3.1.4.1 Withholding taxes targeting all kinds of services

Please indicate your country's tax treaties that contain a provision enabling the levy of a withholding tax on payments for all kinds of services, together with the policy rationale.

Please provide an overview of such withholding taxes' rules on nexus (or lack thereof), the definition of services (if any), source rules, tax base, and tax rates.

Does it matter where the services are provided?

3.1.4.2 Withholding taxes targeting fees for technical services

Please indicate your country's tax treaties that contain withholding taxes for fees for technical services, including similarities and differences with the former Article 12A of the UN Model Tax Convention.

3.1.4.3 Withholding taxes targeting fees for included services

Please indicate your country's tax treaties that contain withholding taxes for fees for included services, including similarities and differences with the Alternative version of Article 12 of the UN Model Tax Convention.

3.1.4.4 Withholding taxes targeting digital services

Please indicate your country's tax treaties that contain withholding taxes on digitally delivered services, including similarities and differences with Article 12B of the UN Model Tax Convention.

3.1.5 Digital services taxes

If your country has implemented a digital services tax or a similar measure in its domestic law, how does it interact with tax treaties?

When your country is in the position of State of residence, how does it apply its tax treaties to a foreign digital services tax? Is it a covered tax? How would your country apply the provisions of its tax treaties on the elimination of double taxation to foreign digital services taxes?

3.2 Non-tax agreements and other international commitments

Have withholding taxes on services, digital services taxes, and/or digital permanent establishment or significant economic presence rules in your country been considered to be in tension with non-tax agreements? Please explain the nature of such tensions and how they have been or may be addressed. In particular, have such measures been characterised as restrictions on market access, as internal taxes, as import tariffs on services, or as giving rise to concerns under national treatment or most-favoured-nation obligations under international trade law?

Please indicate whether it has been argued in your country that multiple taxation on services resulting from the combined effect of different types of taxes may be incompatible with non-tax agreements, and on what legal basis such arguments have been made.

Have trade tensions, retaliatory measures, or the threat thereof influenced the design, application, modification, or repeal of taxes on services in your country? If so, please indicate which features of the relevant measures (e.g. scope, nexus, thresholds, rate, etc.) were considered particularly sensitive from a non-tax perspective.

Please indicate to what extent the dispute resolution mechanisms of non-tax agreements (such as those provided under trade agreements) have been relied upon, or considered relevant, for the mitigation of multiple taxation or other conflicts resulting from the levy of different taxes on services.

Finally, please indicate whether any measure discussed in these Directives, or not discussed therein but relevant to the taxation of services, has raised issues from the perspective of international commitments not addressed above. Examples may include compatibility with public international law, EU law, human rights law, investment protection agreements, or other international commitments.

ANNEX 2 – DOCUMENTS TO BE PROVIDED

Branch Reporters are invited to provide to the General Reporter a copy of any of the following documents which are referred to in their Branch Report.

- Interpretative provisions found in a treaty itself, in a protocol to a treaty, in a memorandum or letter of understanding between the Contracting States or in any other instrument prepared in connection with a treaty, including an instrument prepared by one Contracting State and endorsed by another Contracting State;
- Court decisions;
- Publicly available mutual agreements;
- Publicly available decisions by any administrative review board that may be part of or independent from a tax administration (e.g. assessment board or appeal board that would not constitute a court);
- Legislative texts, such as an interpretative provision found in a statute, regulation or decree;
- Preparatory works relevant for interpretative purposes;
- Circulars, rulings or other official administrative pronouncements by the tax authorities;
- Any other similar document that can be considered to be an official statement with respect to the subject of this report originating from that jurisdiction.

Preferably, these documents should be provided in the original language as well as in English and in electronic form as the objective is to make this information available on the IFA website.

The documents provided should not exceed 200 pages (in print form). Branch Reporters of jurisdictions where documents referred to in the Branch Report would greatly exceed that limit are invited to exercise discretion in choosing which documents to provide and to send what they consider likely to be the most useful and influential documents for other countries (e.g. for judicial decisions, those that are most recent or rendered by the highest courts).