

Analysis of International Disputes over Digital Services Tax and Exploration of China's Approach

Siyuan Tang

School of Law, Beijing Technology and Business University, Beijing 100048, China

2598615894@qq.com

Abstract. With the continuous emergence of emerging information technologies, the digital economy is developing rapidly around the world. The global operations of multinational digital enterprises no longer rely on physical presence. The effectiveness of permanent establishment rules based on the traditional real economy settings has been questioned by market countries, which actively participate in Market countries where digital business value is created do not receive corresponding taxation rights. Multinational digital companies take advantage of loopholes in digital platforms and current tax rules to actively carry out tax planning, resulting in digital companies' global tax burden being much lower than that of traditional companies. Tax sources cannot be fairly and reasonably distributed in the places where value is created and profits are taxed, which harms the tax interests of market countries. Against the background of slow progress in the OECD global unified solution, as a temporary unilateral measure to address the challenges of the digital economy, some countries have taken the lead in imposing digital service taxes on specific digital businesses of digital enterprises. On the basis of discussing the relevant concepts and theories of digital service tax, this article discusses the relevant concepts and theories of digital service tax, and analyzes the international development of digital service tax and the positions of various countries around the world. Further analyze the impact of digital service tax collection from three aspects: national fiscal revenue, tax trade disputes and international tax order coordination, and analyze the impact of digital service tax on digital enterprises. Then the perspective is focused on my country, sorting out and summarizing my country's relevant digital economy tax policies, and analyzing the impact of digital service tax on my country in the near term and long term based on the development of my country's digital economy. Finally, based on the previous comparative analysis and impact analysis, my country's tax system for promoting the development of the digital economy has gradually improved and actively participated in the reshaping of international tax rules, and my country's response strategies under the digital service tax have been proposed. The different levels of digital economic development between China and countries that have levied digital service taxes will inevitably lead to disharmony in the international tax order. The study found that the fiscal revenue brought by digital service tax is limited and has a certain degree of distortion effect. It is necessary to actively participate in international cooperation and make China's voice heard before reaching a consensus on international tax rules. In the long term, we should focus on the connection between the two-pillar plan and the domestic tax system, strengthen tax information exchange, improve the domestic digital tax rule system, and promote the healthy and sustainable development of my country's digital economy.

Keywords: Digital Economy; Digital Enterprise; Digital Service Tax.

1. Preface

In recent years, the global digital economy has developed rapidly, overturning the traditional business model of face-to-face transactions. New business models based on digital platforms are constantly emerging. The provision of digital services or goods such as online advertising services, mobile payment services, and online platform social networking only requires the help of This can be achieved through the Internet platform. The scale of the digital economy industry will reach 5.02 billion in 2022, a year-on-year increase of 10.3%. Based on this, some countries have begun to choose to impose new taxes or adjust the original tax system, such as levying a "digital service tax" on the digital service income of large Internet companies. These digital services include online advertising,



search engines, online shopping and other services provided by companies. Social media etc. The introduction of the digital services tax has had a wide range of impacts, and the OECD has also accelerated the research process on multilateral coordinated international solutions. In 2020, the OECD released a blueprint for a two-pillar plan, hoping to reshape the current international tax rules through the two-pillar plan and solve digital economy tax issues fairly and reasonably. However, since the details of the dual-pillar plan are not yet complete and there are problems with its applicability, there are major differences in attitudes towards service tax among various countries. At present, consensus can only be reached in principle. Research and analysis of tax plans and digital service tax views of relevant countries in response to the digital economy will inevitably have a multi-faceted impact on the introduction of digital service taxes: Unilateral tax measures can provide tax risk reminders for my country's digital enterprises to go global and promote my country's digital economy. It is also of practical significance for our country to actively participate in the reform of the international tax system and contribute our country's strength and value on the basis of a comprehensive understanding of the unilateral measure of digital service tax before international tax rules have reached a consensus.

2. Theoretical Analysis Related to Digital Service Tax

2.1. Concept Definition of Digital Economy and Digital Services

Digital services is an important part of the digital economy and a digital economy in a narrow sense. In the era of globalization and technological advancement, the digital economy plays an important role in promoting international trade in goods and services, influencing cross-border investment distribution, capital flows, resource mobilization and job creation. China Academy of Communications clearly elaborates on the concept of digital economy, that is, digital economy is a new economic form that empowers digital information and data with digital technology, continuously promotes the integration of digital technology and traditional economy, and is supported by the modern Internet. Digital services refer to services provided through the Internet platform supported by digital technology. They are essentially a value-added economic activity that provides services to service buyers in various forms. The digital economic market has inspired many online services using digitalization as a means. This includes providing participatory digital platforms, sharing economy platforms and supportive online services. Among them, participatory digital platforms realize online socialization and information exchange between users, and their main sources of profit are advertising sales and products and services related to user exchange content. The sharing economy platform acts as an online market, and both supply and demand parties can conveniently conduct online transactions of goods or services simply through the sharing economy platform. In addition, online payment systems, online advertising and online consultation are also important components of digital services.

2.2. Clarification of The Concepts of Digital Tax and Digital Service Tax

The research object of this article is digital services tax in a narrow sense, rather than broad tax measures or digital taxes. In the field of international taxation, there is still a lack of clear and unified definitions of the connotation and extension of digital service tax. The broad digital service tax is a series of measures introduced by countries around the world to actively explore the nature and impact of economic digitalization that are consistent with their national conditions to deal with the tax challenges brought about by digitalization. In fact, the broad digital service tax is not an independent tax, but a related tax arrangement that levies the global operating income or profits of multinational digital enterprises. Currently, the unilateral digital taxes levied by countries around the world mainly include three major categories of tax measures: value-added tax or goods and services tax, digital service tax, and withholding income tax. Therefore, a broad digital service tax can also be called a digital tax. Digital service tax in the narrow sense is generally a tax on large multinational digital enterprises. The draft Council Directive proposed by the European Commission includes digital

services such as online advertising services and the provision of online market services . Digital service tax in the narrow sense is a tax on the broad digital service tax. A form of taxation.

2.3. Theoretical Basis for Levying Digital Services Tax

2.3.1. Identification of the Source of Taxation Based on Value Creation Theory

The OECD 's clear goal is to tax profits based on value creation. In the digital economy, the source of disagreement among countries is the point of value creation. Data is an important driver of value. The collection and analysis of data can bring about huge value creation and further promote the improvement and optimization of business. If the revenue exceeds the corresponding cost, the enterprise will create value. Revenue and cost are two important factors in determining the value chain. Enterprises create value based on Porter's management theory by differentiating different steps in the value chain. Traditionally, information technology is only regarded as a supporting factor in the differentiation process, but in modern value chain analysis, the importance of information technology and innovation technology continues to increase. Taking typical network platforms in the digital economy era as an example, these platforms enable online social communication and information exchange between users, thereby providing a foundation and framework for the creation and exchange of network content. The transmitted content is directly related to the user, and the ownership belongs to the user. The platform does not have any rights to the content. However, profits mainly come from advertising sales of products and services related to the content exchanged between users. Taxable profits are therefore indirectly related to the value creation chain, which is largely driven by the intervention of network effects. However, value creation has not formed a unified concept internationally and has not reached a clear consensus, and the qualitative and quantitative aspects are still unclear or difficult to quantify. For example , although search engines that generate revenue from customized advertising benefit from a large user base How the highly personal information collected from cloud application users translates into commercial profits is impossible to determine . Therefore, users' contribution to value creation needs to be further refined and clarified in the future.

2.3.2. The Cornerstone Role of Tax Jurisdiction Theory in International Tax Jurisdiction

The essence of tax jurisdiction is the expression of a country's political rights in the field of international taxation. Resident jurisdiction extends to the principle of tax attribution, which means that the government of a country has the right to tax the income of its residents regardless of whether it obtains income from residents domestically or abroad. Resident jurisdiction divides taxpayers within the country into two categories: residents and non-residents. Resident taxpayers bear unlimited tax liability on their income worldwide and are subject to different tax treatments. Source jurisdiction means that a country has the right to tax the income of enterprises or individuals from its own country, based on the territorial principle. From a legal perspective, tax jurisdiction comes from the place of origin, which is based on both tax benefits and the principle of economic loyalty. Among them, the main basis for judging the source of operating income is the traditional permanent establishment principle. However, the rise and development of the digital economy has frustrated the method of determining origin based on traditional permanent establishment rules, breaking the previous balanced distribution among countries in the international tax base. Market countries actively seek to readjust taxation rights and put forward the theory of market country jurisdiction. Market country jurisdiction is similar to traditional source jurisdiction. It advocates the market country's right to tax the income of the actual consumption place in the country that is lost due to the lack of physical presence of multinational digital enterprises. Multinational digital enterprises provide goods and services for sale to market countries through emerging business models such as the Internet and online platforms. Market countries are essentially consumers of online digital services. The introduction of the digital service tax asserts the jurisdiction of market countries, allowing market countries to tax sales income from specific digital services such as information data provided by users. Most of these market countries are countries with income losses.

2.3.3. A Concentrated Expression of the Principle of Tax Fairness

The 20th National Congress of the Communist Party of China proposed that "the regulatory role of taxation and the regulation of wealth accumulation reflect the principle of tax fairness." The word fairness includes both fairness and the principle of equal treatment. Equal treatment requires that equal situations be treated equally. Horizontal fairness requires that the tax burden of taxpayers should be consistent with their ability to pay taxes. Vertical fairness requires taxpayers with stronger tax payment abilities to bear greater responsibilities. The tax burden tolerance of different taxpayers should be generally balanced. Horizontal fairness requires taxpayers to bear the burden of taxes. The tax burden should be broadly consistent with its ability. In the context of the digital economy, rapid technological progress characterized by digital has given rise to a large amount of wealth in a short period of time. Most of this wealth is concentrated in some companies and countries, represented by large technology companies in the United States. This has resulted in a series of internative. According to the report "Establishing Modern, Fair and Effective Tax Standards for the Digital Economy" released by the European Commission in 2018, compared with traditional enterprises, the tax burden of digital enterprises is at a lower level. Among them , digital companies with an actual tax rate of 9.5% have a tax rate of only 41% compared to physical companies with a tax rate of 23.2%, and inequality has further worsened. The business model of the digital economy has also led to companies not paying enough taxes where profits and value are generated. The digital services tax was established to resolve the differences in tax treatment between foreign and domestic digital companies. For certain digital services, a certain tax is levied on total revenue rather than profits, and taxation rights are allocated to member states based on the location of service users. Multinational enterprises operating in the digital economy do not have to pay corporate tax on their income from market countries because they have no physical presence, thereby ensuring that digital companies pay a fair share of taxes commensurate with profits and achieving equal taxation for domestic and foreign enterprises.

3. International Practice and Divergent Views on Digital Services Tax

3.1. OECD Actively Advocates Global Tax Reform

As early as 2013, the OECD began research on tax base erosion and profit shifting, and in 2015 proposed measures including equalization of taxation and withholding income tax collection to alleviate the tax challenges brought about by the digital economy. Among them, OECD believes that equalization of taxation is temporary and only applies before the conclusion of a tax treaty. In 2018, the OECD analyzed the characteristics and business models of the digital economy in more detail, and conducted more critical discussions on potential solutions to tax challenges . In October 2020, the OECD released a two-pillar blueprint report, which elaborated on the two-pillar solutions: One pillar stipulates new taxing rights rules, that is, multinational groups allocate part of their surplus to market countries, and clarifies that according to their profits The minimum threshold for large multinational corporations to pay tax rates. Under the BEPS inclusive framework, 137 members have reached a consensus on the global digital tax reform, but there is still no specific implementation plan for the "dual pillars" including the specific industries covered by the tax, and with the multiple adjustments to the relevant plans, it still needs to be Reach consensus on further harmonizing international taxation rules and other issues. And it is not difficult to see from Table 2 that the global attitude towards digital service tax is not uniform.

3.2. Current Status of Unilateral Digital Service Tax Collection in Many Countries

As of January 2023, there are close to 60 countries levying or proposing to impose direct digital services taxes worldwide. Among them, more than 30 countries have passed legislation to levy digital service taxes, including France, India and Austria; countries that have proposed legislative drafts or public consultation suggestions include Belgium, Brazil and the Czech Republic; countries that have issued announcements and implementation intentions include Denmark, Egypt and Israel. In addition,

more than 90 countries in the world currently adopt the method of modifying value-added tax and consumption tax to levy indirect taxes on the digital economy of Thailand, Canada, Chile and other countries. Overall, significantly more countries in Asia and Europe have chosen to levy digital service taxes than other continents. At the same time, there are also certain regional differences in the tax rates and scope of tax collection in different countries.

3.3. Internal Divisions over EU Digital Services Tax Push

The EU has been studying digital services taxes for a long time. As early as 2003, the EU began to levy value-added tax on e-commerce and granted VAT taxation rights to consuming countries of e-commerce products. Since then, the EU has become the first e-commerce company in the world to lead the world in digital economic research practice. Business tax area. The collection of digital services tax began on January 1, 2019, and France became the first country in the world to officially levy a digital services tax. Subsequently, more and more EU member states have joined the ranks of collecting digital service taxes. Digital enterprises in the world can achieve this level of operation. There are not many, which reflects the pertinence of each member country towards the world's leading digital companies. Secondly, the scope of digital service taxes in various countries overlaps a lot, focusing on online digital businesses such as online advertising, search engines and e-commerce sales. The overall attitude is conservative. In addition, the digital service tax rates set by various countries are generally relatively low. Even in the process of the EU's implementation of digital service tax, the above countries are in a supportive position, but their attitude is cautious and rigorous when formulating specific rules. For example, among EU member states, countries such as France, Spain, and Austria all support the imposition of digital service taxes to ensure the development of local digital enterprises and increase the fiscal revenue of each country. Countries such as Ireland, Sweden, and Luxembourg, which use loose tax policies to attract foreign investment, are opposed to this. In addition, some countries with small economies also adopt a wait-and-see attitude when the development of the digital economy is relatively slow. After multiple rounds of consultations, no consensus was reached. In March 2019, the EU announced that it would temporarily abandon its plan to implement a digital services tax across the EU. So far, the relevant legislation has not been advanced, and the development progress of the EU's overall tax reform has also been unclear.

3.4. U.S. Opposition to Digital Services Tax and Countermeasures

The U.S. government strongly opposes the imposition of digital services taxes by some countries. Today's digital services tax is mainly levied on large Internet companies from the United States such as Google, Amazon, Facebook and Apple. The U.S. government believes that it violates the relevant provisions of the General Agreement on Trade in Services regarding national treatment and the principle of non-discrimination. The digital service tax is a restrictive measure and condition set by France and other countries for external digital companies to enhance the competitiveness of the domestic digital industry. A new type of service trade barrier. Therefore, in June 2020, the United States announced the launch of a "301 investigation" against trading partners such as the United Kingdom, Austria, the Czech Republic, Italy, Spain, Turkey, Brazil, India, and Indonesia that have imposed or are considering imposing digital services taxes. In December of the same year, the United States determined that France had "discriminated" against technology companies such as Google and Amazon, and announced the imposition of a total of 63 punitive tariffs on France, with a total value of approximately US\$2.4 billion. In order to protect its own advantageous industries, the United States uses unilateral trade protection tools, causing constant international trade frictions and seriously disrupting the international trade order.

At present, various countries have different attitudes towards whether to levy digital service taxes and specific implementation plans. In particular, some countries in the EU are actively leading the reform of the international digital tax system for reasons such as maintaining the development of the local digital economy and increasing domestic tax sources. At the same time, in order to continue to monopolize the digital market and further expand their competitive advantages, digital giants

represented by the United States oppose the imposition of digital service taxes by other countries on digital companies such as Google and Amazon. In order to actively respond to the new situation of global digital tax reform, China needs to conduct an in-depth analysis of the effects of the imposition of a digital service tax and make accurate judgments and further decisions based on its national conditions.

4. Analysis of the Impact of Digital Service Tax on Enterprises and the Macro Economy

4.1. Digital Services Tax Affects Corporate Digitalization

4.1.1. Increase the Burden on Enterprises and Slow Down Their Digitalization

From the perspective of digital enterprises, they face two different taxes in two different countries. In addition to paying the digital service tax on the same operating income in the market country, they also have to pay corporate income tax, which increases the tax burden of the enterprise. One item, thereby significantly increasing the tax burden level of enterprises. According to USTR research estimates, UK taxes on digital services in Italy are approximately 708 million euros, which will cost US digital companies approximately 2 billion pounds. Taxes on digital services by large U.S. digital companies in Spain, Austria, Turkey and India will bring tax costs of tens of millions of US dollars, US\$100 million and US\$30 million respectively to 968 million euros. On the other hand, there is likely to be overlapping tax jurisdictions between countries because each country adopts different digital services tax rules and taxation methods, and digital services taxes are not listed in many valid bilateral tax treaties. Therefore, multinational digital enterprises will need to deal with different digital services tax rules in different countries, and may end up being double-taxed multiple times on the same income, further increasing the burden on digital enterprises.

Today, as the digital economy is booming, digital technology is changing with each passing day, and the digital economy is constantly integrating with the traditional economy. Traditional enterprises generally digitize their advantageous businesses through the Internet to provide customers with more diversified services. Therefore, digitization is an important step for traditional enterprises. A new opportunity. The digital service tax was originally designed to allow traditional enterprises to have the same market competitive environment as modern digital enterprises. However, some traditional enterprises are not digital enterprises and also possess a small amount of digital technology. Therefore, the imposition of digital service tax has affected traditional enterprises, increasing their operating costs, while the imposition of digital service tax has increased their transformation costs. The imposition of digital service tax has increased their transformation costs. The imposition of digital service tax has increased the digital transformation costs of these companies. The transformation process becomes slower and the cost of transformation for the company increases.

4.1.2. Distort Corporate Business Practices

The imposition of digital services tax may bring certain distortionary effects, which will be reflected in the distortion of the business behavior of digital enterprises. The digital services tax is a tax on total global operating income rather than total profits, ignores company costs, and may be overwhelming for low-profit or loss-making businesses. Since there are certain differences in the profit margin levels of digital business models such as providing online advertising and providing digital interfaces, taxing total income will also lead to over-taxation. Compared with companies with lower profit margins, digital companies with higher profit margins will bear less tax burdens because they have a certain price advantage in market competition. For digital companies with lower profit margins, they must pass on costs by increasing the price of digital goods or services, while those with higher profit margins can distort the business behavior of digital companies to a certain extent and thus affect the market. In the event of anti-competitive effects, through internal absorption without raising the price of digital services. In general, the imposition of digital services tax will increase tax and non-tax burdens on digital enterprises and bring obvious distortionary effects. On the one hand,

it has a distorting effect on the market and the behavior of digital service providers, and on the other hand, it leads to an increase in the cost of related digital services.

4.2. The Impact of Digital Services Tax on the Overall Economic Environment

4.2.1. Impact on State Tax Revenue

Governments around the world have realized that unilaterally taxing digital technology giants can generate some fiscal revenue. Action Aid's calculations found that G7 countries alone may have missed more than \$20 billion in taxes from the five major digital technology giants, including Google's \$4.11 billion; Amazon's \$1.61 billion; Apple's \$6.28 billion; and Facebook's \$3.26 billion. US dollars and Microsoft's \$5.51 billion in potential taxes. It can be seen that the levy of unilateral digital service tax can effectively increase a country's tax revenue and show a year-by-year growth trend. It can alleviate the financial pressure of various countries to a certain extent and respond to the public's demands for taxation of large digital companies. However, according to IMF forecasts, the UK's general government revenue in fiscal year 2020 will be approximately 77.89 billion pounds, and the extent of levying a digital services tax to alleviate the fiscal deficit is also limited.

4.2.2. Impact on Tax Trade Disputes and International Tax Order

The trend of tax and trade conflicts caused by the inherent flaws of unilateral digital services taxes has a significant adverse impact on international trade. Stopping unilateral measures is the right step to achieve tax certainty. Although the digital services tax is an internal tax act of a sovereign country, the scope of the tax covers large digital enterprises that meet the threshold of global operating income, which can easily trigger tax trade disputes between market countries and the countries where digital enterprises reside. These unilateral measures proposed by various countries have encountered certain obstacles and have had a series of impacts on bilateral trade relations. EU member states that have introduced digital services taxes are facing resistance from the United States. In the context of the competition between various countries' tax interests, the United States announced in July 2019 its application for the French Digital Services Tax (Digital Services Tax). Services Tax) conducted an investigation, saying that this move had a discriminatory effect on American companies. In June 2020, the United States waved the "310 investigation" to nine countries including India, Italy and Turkey that have adopted or are considering digital service tax systems. Under Section 301, the Office of the U.S. Trade Representative (USTR) can circumvent the WTO dispute settlement mechanism and take retaliatory measures if foreign actions, policies or practices are unreasonable and are discriminatory or restrictive against U.S. commerce. In fact, the digital services tax has inherent flaws in its design. It can only be used as a temporary remedy to tax digital companies. On the one hand, it plays the role of appeasing politicians and the public, but it actually increases tax revenue. It can only cope with the increasingly tight fiscal deficit to a certain extent. On the other hand, it has brought distortionary effects, and many adjustments need to be made in order to advance proposals that are more in line with the principles of fairness and neutrality.

4.2.3. Impact on Cross-border Transactions, Investment and Consumption

For investment, on the one hand, the imposition of a digital service tax may affect investors' enthusiasm for investment. After the tax is imposed, investors will worry about the decline in investment returns, causing investors to doubt the stability of the tax policy; on the other hand, Most of the countries that currently levy digital service taxes are countries with relatively weak digital economies and few large-scale multinational digital enterprises. Although the income threshold of the digital service tax excludes domestic digital economy taxpayers, it will affect the ability of these enterprises to attract foreign investment, thus hindering the development of domestic digital enterprises. Furthermore, in terms of consumption, due to the income effect and substitution effect caused by the imposition of digital service tax, consumers will bear a higher tax burden, thereby affecting consumers' consumption habits and causing them to spend more on offline sales platforms. income.

4.3. The Impact of Digital Service Tax on My Country's Tax System

At the indirect tax level, China's indirect tax system in the digital economy is constantly being improved. The comprehensive business tax to value-added tax reform will bring the original business tax scope into the scope of value-added tax collection, and relevant transitional measures will be introduced. China's value-added tax system is becoming more and more perfect. The more perfect it is, in a certain sense, it strengthens the regulation and guidance of China's digital enterprises. However, there is a lack of targeted tax policies and regulations for digital economic formats. There are no clear and specific judgment standards in the VAT regulations, which may bring certain tax consequences. Base erosion problem.

At the direct tax level, tax policies related to the digital economy are basically reflected in corporate income tax. Initially, the foundation of China's digital economy was weak. In order to better promote the development of high-tech enterprises, including digital enterprises, China introduced relevant preferential tax policies to strengthen support for digital enterprises. The preferential tax rates are still in use today. Enterprises such as Huawei, ByteDance, and Alibaba are developing rapidly; In the past few years, China has begun to participate extensively in international tax cooperation, jointly combating tax evasion by multinational enterprises, and has begun to consider issues such as transfer pricing and intangible asset cost sharing agreements. It has also introduced relevant regulations on the management of non-resident corporate income tax that are consistent with China's national conditions. However, judging from these policies and regulations alone, China's income tax anti-avoidance system was established within the framework of traditional international tax rules and lags behind the development of the digital economy era in terms of value creation, profit transfer, permanent establishment and other identification standards for multinational digital enterprises. Trends: In response to the challenges brought by the digital economy, China's income tax anti-avoidance system needs to be further improved.

5. China's Response Strategies and Thoughts under the Implementation of Digital Service Tax

5.1. Debate over Opinions: Should a Digital Services Tax Be Created?

5.1.1. Support Side: Digital Service Tax is an Important Tax Basis for Developing the Digital Economy

The scale of my country's digital industry has grown rapidly with the development of digital technologies such as big data, the Internet, cloud computing, and artificial intelligence. Since the 18th National Congress of the Communist Party of China, the Chinese government has issued documents such as the "National Informatization Development Strategy Outline" and "Digital Rural Development Strategy Outline", which have further clarified the strategic ideas and goals and vision for the development of the digital economy in the five years, and provided a basis for the development of the digital economy. The policy basis also provides policy basis for the implementation of the "14th Five-Year Plan" big data industry development plan and the "Digital Economy Development Plan". In addition, data security governance and digital technology assisting carbon neutrality have also become a consensus for high-quality development in digital economic policies. The digital economy has also developed integratedly with the traditional real economy, driving profound changes in production methods and industrial structures, and pushing the digital economy to a new level. Industry digitization has promoted market demand for traditional industries and also provided impetus for the needs of the digital economy. At present, the rapid development of the digital economy has made the digital economy account for a large proportion of China's GDP and is showing an obvious upward trend. The digital service tax is based on the digital economy itself, and a digital economy of this scale provides the possibility for the collection of this tax. By taxing different economic forms or industries in different ways, we can achieve a balance between fair tax collection and promotion of industry development.

5.1.2. Opposition: Prudent Implementation of Digital Services Tax

This is the majority view. The introduction of the digital services tax has brought about a series of impacts. Countries have targeted the digital businesses of large digital companies to increase tax revenue. Since the total turnover of digital companies within the scope of taxation is taxed, it can also provide considerable tax revenue according to relevant data calculations, which can alleviate the growing fiscal deficit pressure of various countries to a certain extent. However, the digital service tax, which is a unilateral measure, can only serve as a temporary solution, not the root cause. Unilateral digital services tax has inherent flaws and is inconsistent with international tax principles, posing a challenge to the integrity of the international tax system. From my country's perspective, the reality between my country and the main players in the digital service tax is significantly different. Most countries that levy digital service taxes have the main purpose of preventing tax base erosion and protecting their own digital industries. China's domestic digital market is basically covered by local Chinese companies such as Alibaba, Tencent, and Baidu. The American digital giants that account for most of the European digital business do not have a large digital business in China. Therefore, in order to prevent the tax base from being eroded, our country has levied a digital service tax to achieve the purpose of insufficient actual demand. Secondly, the development of China's digital economy industry relies on the domestic ultra-large-scale market, and there is still considerable room and potential for digital enterprises to develop based on the domestic market. Domestic enterprises do not play a large protective role by relying solely on the taxation effect of service tax. In addition, the imposition of a digital service tax is not in line with my country's stable foreign trade direction, nor is it in line with the stability of foreign investment. France, the United Kingdom, Austria and other countries that have levied digital service taxes have initiated "301 investigations" and taken retaliatory measures, which have attracted the attention and resistance of the United States. If China rashly levies a digital services tax, it may trigger a trade dispute between China and the United States, intensify instability, and further affect the development of China's foreign trade. Therefore, our country should have reservations about the digital service tax, and it is not appropriate to adopt unilateral tax measures similar to the French digital service tax at this stage.

5.2. Improve the Tax Development System That is Compatible with China's Economy

The digital service tax is similar to the business tax that has been abolished in my country. my country should actively promote a digital economy taxation plan that is consistent with my country's national conditions to respond to the challenges brought by the digital economy. In the process of improving our country's tax policy, we should adhere to the goal of reducing tax uncertainty, formulate easy-to-manage, clearly defined policy goals, ensure fairness, protect our tax base from being cannibalized, and make our digital companies better to the world.

At the level of indirect taxes, the main focus is on improving the value-added tax system. First of all, the definition of digital services should be clarified in VAT tax regulations, the scope of taxation of digital services should be clearly defined, and the transaction attributes of digital products should be clarified. This is the first step to enhance the certainty of VAT regulations. When defining digital services, you can consider adopting a positive list enumeration method to clearly enumerate the scope of digital services. Secondly, clarify the principle of entity jurisdiction of VAT and formulate specific criteria for determining the principle of place of consumption. In order to protect my country's tax base from being eroded, an overseas supplier registration system will be gradually established, and non-resident suppliers that provide digital services to domestic consumers will be required to carry out overseas VAT registration and tax-related information submission. In addition, the tax basis of digital services is confirmed. Although my country's current value-added tax regulations contain provisions on data transactions, data transactions in the digital economy era are obviously different from traditional data transactions. In the digital economy era, data is specialized and information is an important factor of production, and public participation This makes it difficult to measure its value. Currently, a more feasible approach is to still only tax services generated based on data transactions, and at the same time strengthen research on "user value valuation" and "income valuation".

At the direct tax level, the existing income tax system will be reformed and revised in due course, which is a related concept of my country's corporate income tax. Our country must first make timely revisions to the concept and identification standards of permanent establishments. At present, the definition and identification of permanent establishments in the tax treaties signed by my country are biased towards the requirements of physical presence and organizational structure, ignoring the fact that in the digital economy era, benefits can also be obtained from market countries without physical presence. Therefore, it is necessary to broaden the scope of digital existence on the basis of the original identification standards for physical existence and include virtual permanent establishments in the income tax system. For example, the UK's digital services tax levies a tax on users' participation in value creation, regardless of whether digital enterprises have a permanent establishment in the UK; France uses IP addresses as the rules for determining virtual permanent establishments, which has improved the determination of permanent establishments to a certain extent. conditions, whether it is a UK or French digital services tax. Second, consider introducing withholding tax. my country can introduce withholding tax in the short term as compensation for excessive erosion of the tax base by non-residents, by withholding non-resident corporate income tax from non-resident companies or individuals.

5.3. Actively Participate in International Cooperation

5.3.1. Strengthening International Exchange of Tax Information in The Context of CRS

In the context of global digitalization, tax-related information has become the key for tax authorities in various countries to tax digital services. Since digital enterprises have no physical presence in market countries, relying on the power of a certain country alone may often not have the required tax-related information, resulting in information asymmetry between digital enterprises and tax authorities. Therefore, it is crucial to strengthen tax cooperation on the exchange of tax-related information and intelligence of multinational digital enterprises on the basis of bilateral or multilateral tax treaties. Our country should strengthen international tax information exchange, further enhance our country's tax information exchange capabilities, and alleviate the impact of tax-related information asymmetry in the digital economy era. As the hub of my country's international tax information exchange system, the State Administration of Taxation is responsible for receiving information exchange requests from the other contracting country and providing relevant tax information as required. Therefore, in order to improve work efficiency and greatly reduce the time for international tax information exchange, it may be considered to set up an independent international tax information exchange department in an organization under the tax department. The independent international tax information exchange department is responsible for collecting tax-related information, integrating the information in stages and implementing a superior-subordinate interaction model. Under special circumstances, the tax information center is allowed to send the requested information directly to the State Administration of Taxation, which can effectively promote the improvement of the efficiency of information exchange under special circumstances.

In addition, it is necessary for China to formulate scientific and unified standards for intelligence exchange information to further promote the efficiency of tax information exchange work internationally. Consideration can be given to building a data platform for international tax information exchange by tax authorities at all levels in accordance with a unified format, unifying the information data format, filling in relevant tax-related information in a unified format, and gradually sharing the tax-related information of relevant multinational taxpayers with the contracting countries of the agreement. Shared by one party.

5.3.2. Helping Reshape the International Tax System

In terms of tax policy, our country has always been a true global player and a practitioner of multilateralism. China actively participates in the BEPS project promoted by the Organization for Economic Cooperation and Development (OECD) and becomes a member of the BEPS Inclusive Framework Steering Group. Therefore, in the context of countries successively levying unilateral

digital service taxes and the digital tax deadlock will continue to exist and affect global economic growth and innovation, my country should take the initiative and actively participate in the reform of the international tax system, contribute Chinese wisdom, and further enhance our country's role in the reform of the international tax system. A voice in international tax rule-making.

First of all, our country should actively advocate multilateral cooperation, practice true multilateralism, and participate in the establishment of a globally fair and modern international tax system. China advocates maintaining an international order based on international law, but it will not implement it in accordance with the "so-called rules-based international order advocated by a few countries." In fact, the United States plays a key role in the development of international tax norms. Our country should rely on multilateral organizations including the United Nations, the G20 Group and the Inclusive Framework to express its views and effectively safeguard our country's tax sovereignty.

Secondly, pay close attention to the latest progress of the OECD dual-pillar plan. Compared with the unilateral digital service tax, the dual-pillar plan reflects the fairness and coordination of international tax benefit distribution to a certain extent in the form of tax benefit distribution. The two-pillar solution is designed to address tax challenges arising from the digitalization of the economy, but also to address market jurisdiction concerns. Among them, pillar one sets up new relationships and profit distribution by providing new taxation rights to market jurisdictions, which is inspired by countries such as the UK and France that have introduced digital service taxes. Pillar Two addresses the remaining B EPS issue of shifting profits to low-tax jurisdictions to ensure a minimum tax level. According to OECD estimates, our country will also receive additional tax revenue from Pillar 1.

Finally, actively promote international cooperation among regions. The digital economy is a huge driving force for global economic growth, and practicing unilateralism may not bring an integrated digital economy to any country. Developed countries represented by the United States have promoted many debates within the OECD and among the European Union. China should take the initiative to form effective regional cooperation on tax issues such as digital economy issues, strive to take the initiative in the process of reshaping international tax rules, make China's voice heard on the global tax platform, and promote the international tax system towards a more fair and fair develop in a stable and sustainable direction.

References

- [1] Yue Dai, et al. Analysis of current problems and development directions of the international tax system. *Journal of Central University of Finance and Economics*. Vol.40(2019) No. 5, p. 13-18.
- [2] Yixia Fan, Qing Wang, et al. Comparative study on digital service taxation models and their enlightenment. *Fiscal Research*. Vol. 21(2020) No. 12, p. 92-102.
- [3] Jinping Gao, et al. Thoughts on the connection between international tax rules and domestic tax laws in the digital economy. *Taxation Research*. Vol. 11(2019) No. 11, p. 70-76.
- [4] Xia Guo, Guangji Park, et al. Development characteristics of India's digital services trade and China's response strategies. *South Asian Studies*. Vol. 10(2021) No. 2, p. 78-94.
- [5] Cheng Gu, Zeyu Liu, et al. Fiscal and taxation policy choices in response to the new coronavirus epidemic. *Fiscal Science*. Vol. 2(2020) No. 3, p. 15-21.
- [6] Jianxiong Huang, Jun Cui, et al. Current status of digital service tax and China's response. *Taxation and Economy*. Vol. 3(2020) No. 2, p. 85-90.
- [7] Helin Li, et al. Thoughts on international tax rules for income attribution under the digital economy business model. *Taxation Research*. Vol. 5(2018) No. 7, p. 14-16.
- [8] Qichao Liu, Xiangdan Luo, Sike Liu, Mingshuo Jia, et al. Taxation rules for economic digitalization: theoretical development, legislative practice and path prospects. *International Taxation*. Vol. 10(2018) No. 4, p. 35-42.