
The digital economic chain – ICT in the loop of the OECD regulations

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Abstract

Taxation is today at the top of the agenda of international organizations, a reflection of governments' intent to gather as many taxes as possible into their jurisdictions. There is an assumption that base erosion and profit shifting exists, carried out in some cases as a result of aggressive tax planning or, in other cases, as a result of the lack of coherence of the tax systems of various jurisdictions. There is an estimation that countries worldwide lose taxable income equivalent to between 4% and 10% of global revenues from corporate income tax. The Romanian ICT business is generating significant profits.

This paper intends to analyze the information technology sector, in which businesses are rapidly growing, in line with technology for all sectors of activity and in line with the EU's strategy for promoting and supporting innovation.

The objective of this paper is to analyze how the ICT sector may be affected by the new approach of allocating profits to various jurisdictions and how R&D activities may also need to be reanalyzed, in terms of fees charged between multinationals.

Romania can be proud of its ICT professionals and the business generating profits in the sector. The author has also analyzed how other countries may benefit from profits from international transactions carried out in the sector and how Romania can continue to support it.

Keywords: OECD, BEPS, ICT, R&D, transfer pricing, substance, value added, know-how, innovation, taxable profits

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