Co-funded by the
Erasmus+ Programme
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STAMP ONLINE

Case 3
Taxation in Digital Era

THE STORY
1 - assessing assumptions for establishing subsidiary

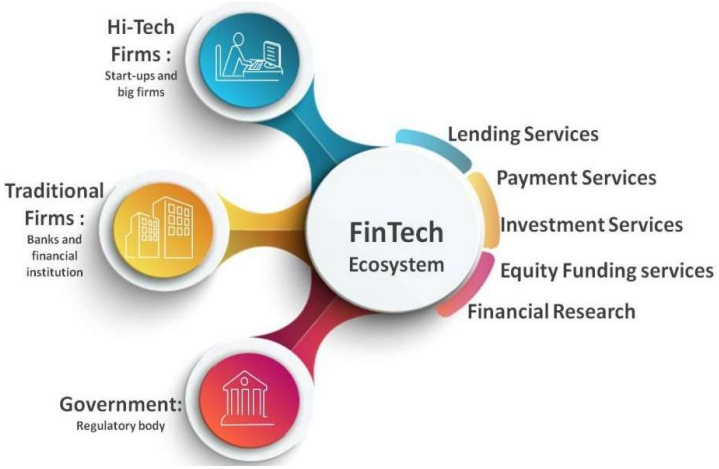
DIGITAL Inc.
UK –based parent company

DECISION →

Which country for subsidiary establishment?

Subsidiary

COUNTRY TAX COMPETITION



REGULATORY ENVIRONMENT

Task Part 1 - Taxation - Country Analyses

- In your group perform analysis of the EC and OECD regulations and your countries' national tax (corporate income tax and digital tax) policies.

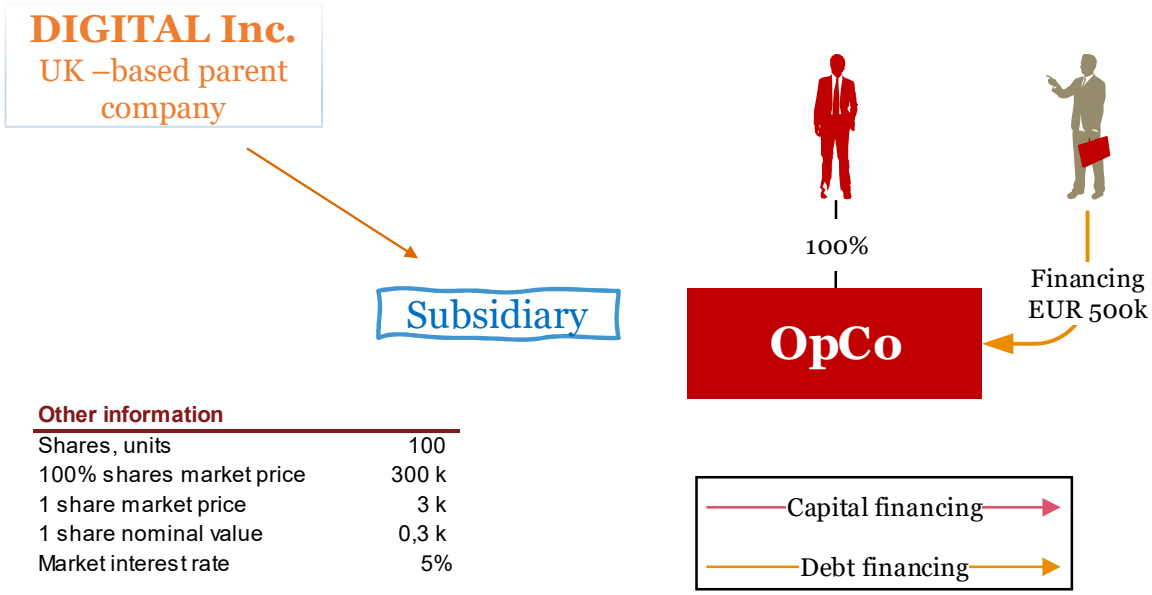
1. Review the provided EC & OECD documents and describe the rules against tax avoidance practices and digital tax policies

2. Analyse how these rules are implemented in your country's national regulation

3. Which country/ies in your group have the most favorable corporate tax considerations?

4. Are there advantages for fintech ecosystem in that country? If yes, what are they?

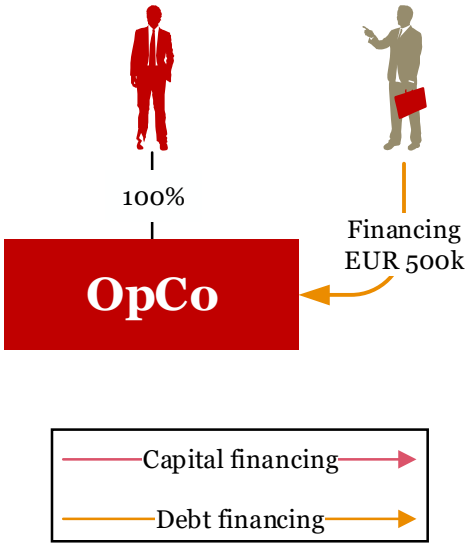
THE STORY



Other information	
Shares, units	100
100% shares market price	300 k
1 share market price	3 k
1 share nominal value	0,3 k
Market interest rate	5%

THE STORY
2 - projecting effects of establishing subsidiary

Subsidiary



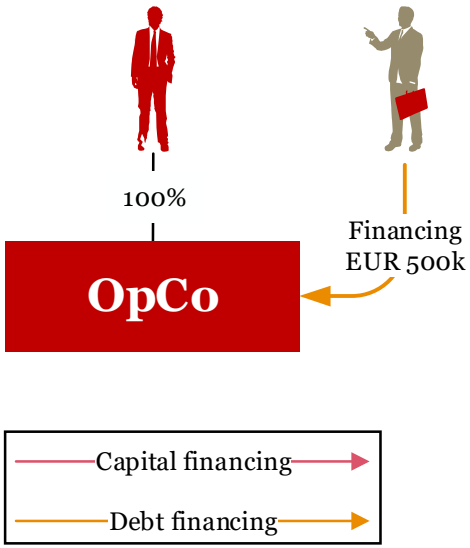
How much debt financing is feasible?

What is the effect of the decision on performance?

THE STORY

Other information	
Shares, units	100
100% shares market price	300 k
1 share market price	3 k
1 share nominal value	0,3 k
Market interest rate	5%

Controlled debt:
4:1 = debt : equity
30% EBITDA



Balance sheet, Eur

	Projected
Assets	952 000,00
Non-current assets	654 000,00
Current assets	165 000,00
Cash	133 000,00
Liabilities	
Current liabilities	122 000,00
Loan 1	302 000,00
Loan 2	
Equity	

Income statement	Projected
Revenue	1 748 000,00
COGS	1 303 000,00
OPEX	264 000,00
EBITDA	181 000,00
Interest expenses	
EBT	
CIT expenses	
Net profit	
Effective tax rate	

Task Part 2 - Balance Sheet & P&L Statement - Projections and Analysis

- Use the template to perform your group's analysis and make projected Balance Sheet and P&L Statement

1. Suggest the country of location for subsidiary, with a specific applicable income tax rate (CIT)

2. Make assumptions for the new debt for the development of subsidiary

3. Assess the effective tax rate

4. What are the risks, advantages and disadvantages of your proposed scenario of company subsidiary establishment?

Task Part 1 - Taxation - Country Analyses - TEMPLATE

1. Read the case									
2. Prepare the answers to Q1, Q2 & Q3 at the end of the Case									
	Q1:	What are the differences in corporate income tax policies among EU countries to be taken into consideration?							
	Q2:	What are the digital tax policies in the EU countries?							
	Q3:	Which EU country/ies have the most favorable corporate tax considerations? Are there advantages for fintech ecosystem in that country? If yes, what are they?							

3. In your group perform analysis of the EC and OECD regulations and your countries' national tax (corporate income tax and digital tax) policies.

Your task (part 1) consists of:
- review the provided EC & OECD documents and describe the rules against tax avoidance practices and digital tax policies;
- analyse how these rules are implemented in your country's national regulation;
- which country/ies in your group have the most favorable corporate tax considerations?
- are there advantages for fintech ecosystem in that country? If yes, what are they?

Prepare 1-2 ppt slides for presentation

Task Part 1 - Sources for analysis see – STAMP-online webpage

Use some of the following resources for your analysis:										
- EU website										
	1) EU Communication on Business Taxation for the 21st Century, 18.05.2021									
	https://ec.europa.eu/taxation_customs/communication-business-taxation-21st-century_en									
	2) EU Council Directive 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market									
	https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2016.193.01.0001.01.ENG&toc=OJ:L:2016:193:TOC									
- OECD website										
	3) OECD Limiting Base Erosion Involving Interest Deductions and Other Financial Payments Action 4, 2017.									
	https://www.oecd.org/tax/beps/limiting-base-erosion-involving-interest-deductions-and-other-financial-payments-action-4-2016-update-9789264268333-en.htm									
	4) OECD/G20 Base Erosion and Profit Shifting. Action.1 Tax Challenges Arising from Digitalisation									
	https://www.oecd.org/tax/beps/beps-actions/action1/									
	5) OECD Statement on a Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy, 8 October 2021									
	https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.htm									
- official publications										
- specific countries' government authorities websites										
- consulting companies publications, e.g.										
	KPMG report. Taxation of the digitized economy. Developments Summary, 2021.									
	https://tax.kpmg.us/content/dam/tax/en/pdfs/2021/digitalized-economy-taxation-developments-summary.pdf									
	others									

Task Part 2 - Balance Sheet & P&L Statement - Projections and Analysis - TEMPLATE

Instructions:

1. Read the case

2. Based on analysis performed in Task Part 1 and suggested country of subsidiary location, prepare the answers to Q4 - Q5 at the end of the Case, using this template

Q4: Which are financing options for establishing of the subsidiary in the suggested EU country? What are possible limitations to the use of debt?

Q5: What will be the effect on balance sheet and P&L statement of the proposed option of establishing the subsidiary?

3. Use this template to perform your group's analysis and make projected Balance Sheet and P&L Statement.

- suggest the country of location for subsidiary, with a specific applicable income tax rate (CIT)
- make assumptions for the new debt for the development of subsidiary
- assess the effective tax rate
- what are the risks, advantages and disadvantages of your proposed scenario of company subsidiary establishment?

4. Prepare group ppt presentation (3-4 slides)

Schedule	Students' tasks
Wednesday	
14.00-14.30	Introduction to the Taxation in Digital Era Case – *Plenary session*
14.30-15.30	Working on Case 3 – Task Part 1 – *International groups*
15.30-16.00	Coffee break
16.00-17.00	Working on Case 3 – Task Part 1 - *International groups*
17.00-17.30	Students' presentations – *Meeting rooms 1 &2*
Thursday	
9.30-11.00	Working on Case 3 – Task Part 2 - *International groups*
11.00-11.30	Coffee break
11.30-12.30	Working on Case 3 – Task Part 2 - *International groups*
12.30-13.00	Students' presentations – *Plenary session*

Case 3- Taxation in Digital Era

MULTIPLE SOLUTIONS AVAILABLE!