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Sandy Bhogal and Graham Crocker Write About Competing Approaches to Taxing Digital Services for Tax Journal

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Tax Journal

In an article for *Tax Journal* (free registration required), London partner Sandy Bhogal and of counsel Graham Crocker compare competing approaches to taxing digital services and assess Poland's proposed hybrid.

Sandy and Graham point out that certain unilateral tax measures to address digital services were adopted on the express understanding that they would be withdrawn. That understanding has lapsed and, in some cases, measures are now being redesigned as permanent. These broadly fall into two categories: digital services taxes (DSTs) that are charged on revenue without any connection to profit and the significant economic presence (SEP) regime that asserts a taxable nexus, attributes a profit to it, and charges that profit under ordinary income tax. Each secures either sensitivity to profit or collectability, rarely both. Sandy and Graham highlight in their article that Poland's proposed hybrid approach, which pursues the objective of an SEP regime but through the mechanics of a DST, rewards local presence and penalises its absence more sharply than either established model.

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