# Tax Compliance Challenges in a Digitalized World: Where do we stand? What lies ahead?

**Dr. Giammarco Cottani, LL.M\***

**Head of Tax, Agoda**

*\*presentation in a personal capacity*

# Agenda

1. Rising to the Compliance Challenge in a Digitalized World

2. Automating Indirect Tax Compliance - the Digital Revolution

3. Transfer Pricing in the Age of increasing Data Requests – how to stay compliant?

4. Preparing for the Future – Trends in Tax Compliance

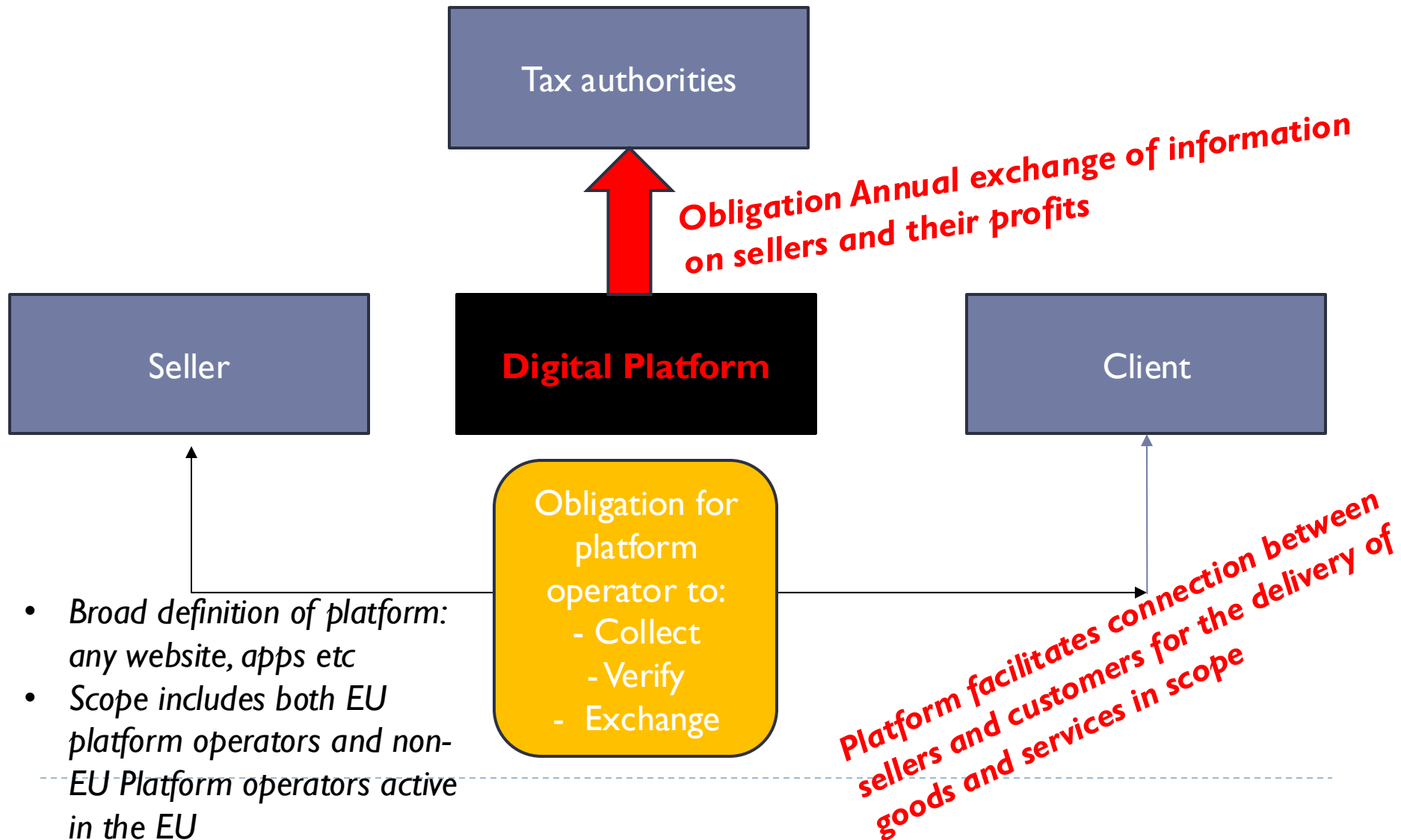5. What lies ahead? Some Food for Thought

# 1. Rising to the Compliance Challenge in a Digitalized World

I. **Transport Taxes as a Growing Burden:** think e.g. Air Passenger Duty ("APD") and carbon taxes under the EU Emission Trading System (ETS)….

II. **Impact on Ticket Pricing Models:** airlines obliged to adjust pricing in order to accommodate different tax obligations like APD and environmental levies

III. **Learning from Digital Companies:** you have no solution but start to invest (yesterday!) in automation: what does it mean?

- **Example:** Airline XYZ adjusted its pricing model by developing dedicated algo to mitigate APD and environmental taxes on long-haul routes
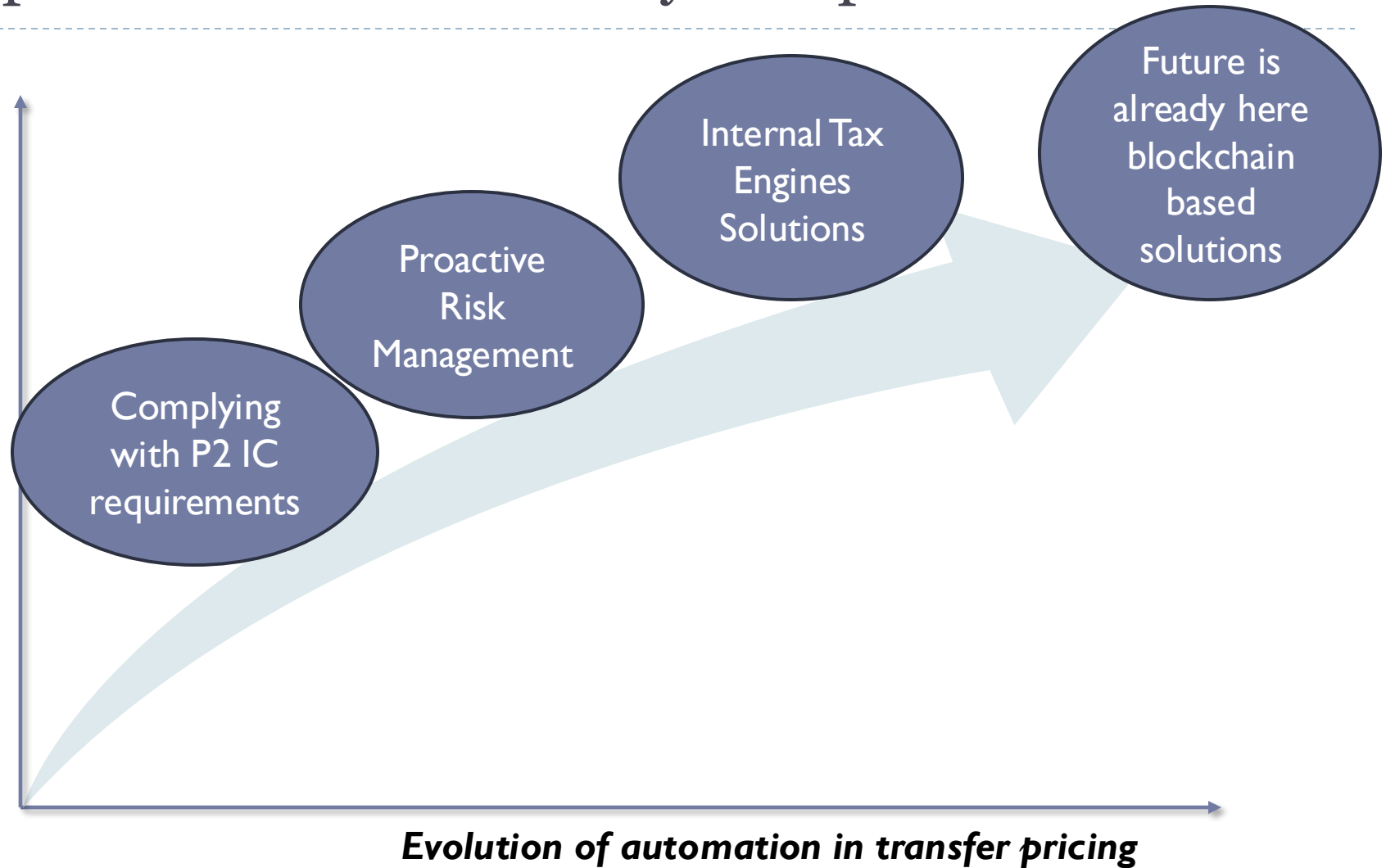
# 2. Automating Indirect Tax Compliance: The Digital Revolution

I.  **DAC7 and Digital Reporting (more on next slide…):** setting a precedent by digital platforms for X-border reporting, relevant to all industries

II. **AI-Driven Tax Engines**: tools like e.g. Thomson Reuters ONESOURCE automatically calculate VAT/GST for real time compliance across multiple countries

III. **E-invoicing Mandates**: real time reporting increasing getting traction (e.g. Italy, KSA) and more to come

# 2. Focus on DAC7: Digital platforms as a fiscal gatekeeper



**Tax authorities**

*Obligation Annual exchange of information on sellers and their profits*

**Seller**

**Digital Platform**

**Client**

Obligation for platform operator to:
- Collect
- Verify
- Exchange

*Platform facilitates connection between sellers and customers for the delivery of goods and services in scope*

- *Broad definition of platform: any website, apps etc*
- *Scope includes both EU platform operators and non-EU Platform operators active in the EU*

# 3. Transfer Pricing in the Age of Data Optimization: How to stay Compliant

Complying with P2 IC requirements

Proactive Risk Management

Internal Tax Engines Solutions

Future is already here blockchain based solutions

*Evolution of automation in transfer pricing*

# 4. Preparing for the Future: Trends in Tax Compliance

1. **Environmental Taxes and Evolving Legislation**: airlines shall factor in the integration of carbon taxes into their systems, especially with the EU pushing for green policies

2. **Blockchain for Compliance:** some travel tech peers are already adopting blockchain to ensure transparency in e.g. rental income reporting. Airlines could consider similar systems for carbon taxes and other similar levies

3. **Automation, Automation, Automation:** Assuming the increasing compliance costs, if you want to stay away from manual errors having a sound tax engine is key

# Perhaps This?

# 5. Some Food for Thought...

1.  **Invest in Automation:** implement AI-driven tax systems to streamline indirect tax compliance

2.  **Leverage Blockchain:** use it for transparent tracking of carbon taxes and IC transactions

3.  **Adopt E-invoicing Solutions:** prepare for mandatory e-invoicing progressively on a global basis and build your own tax engine

4.  **Stay ahead of Legislation:** Often government do not understand the cost-benefit of the introduction of legislation which can be very costly but does little in terms of revenue raising – advocacy is key!

# Thank you

Dr. Giammarco Cottani, LL.M