Session 4 : Making implementation work
VAT is a critical revenue source for developing economies. VAT faces challenges from e-commerce growth.

Tax structures in different regions of the world, as a percentage of total tax revenue (2021)

<table>
<thead>
<tr>
<th>Region</th>
<th>Personal Income Tax</th>
<th>Corporate Income Tax</th>
<th>Social Security Contributions</th>
<th>Value-Added Tax</th>
<th>Other Taxes on Goods and Services</th>
<th>Other Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>OECD</td>
<td>12</td>
<td>20</td>
<td>27</td>
<td>24</td>
<td>8</td>
<td>6</td>
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<tr>
<td>Asia-Pacific</td>
<td>26</td>
<td>9</td>
<td>26</td>
<td>18</td>
<td>3</td>
<td>7</td>
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<tr>
<td>LAC</td>
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<td>6</td>
<td>9</td>
<td>15</td>
<td>2</td>
<td>28</td>
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<tr>
<td>Africa (33)</td>
<td>24</td>
<td>17</td>
<td>19</td>
<td>17</td>
<td>2</td>
<td>8</td>
</tr>
</tbody>
</table>

Note: The data for the OECD average are for 2020.
Source: OECD (2023), Revenue Statistics in Africa 2023

Which VAT challenges?

Online sales of services, digital products, intangibles
- Offshore online vendors selling to consumers without a physical presence in the consumers’ jurisdiction.
- No or inappropriately low amount of VAT collected.

Online sales of imported retail goods
- Growth in online shopping results in enormous growth of imports of “law-value” goods (“tsunami” of packages).
- Customs face challenges to collect tax at importation.

Growing VAT revenue losses
Competitive distortion
Adverse impact on employment & income taxation
Global consensus-based approaches have been developed to assist governments in addressing the VAT challenges of e-commerce.
Through a truly inclusive process facilitated by the OECD

Inclusive. Consensus-based. Focus on digital economy and international trade

- Partnerships
- Policy dialogue and international standards
- Country level capacity building
- Guidance, data, multilateral capacity building

Strategic partner

- Global Forum on VAT
- International VAT/GST Guidelines + Implementation guidance
- VAT Enforcement
- Evolutions in the digital economy
- VAT Digital Toolkits
- VAT workshops
- E-learning modules
- Consumption Tax Trends

- Technical Assistance Programme
Four core recommendations to address the VAT challenges of e-commerce

Effective legal basis for the right to tax international online sales of services and intangibles
- “Place of taxation” provisions by reference to the “customer’s location”.

An efficient and effective web-enabled collection mechanism
- Require offshore digital vendors to register and account for the VAT through an online portal – Standard and/or open source solutions are available.

Leverage the power of digital platforms to enhance VAT collection
- VAT “full liability” for marketplaces and other digital platforms, which dominate global online trade.

Enforcement through data-driven risk management and administrative cooperation
A comprehensive technical assistance programme on VAT and e-commerce has been rolled out

Regional VAT Digital Toolkits: Key capacity building tools
- Detailed manuals covering all aspects of a successful VAT strategy targeted at e-commerce.
- Based on international VAT standards and best practices globally.
- Developed in collaboration with global and regional partners, with input from targeted jurisdictions through consultations.

20 economies consulted  40 economies consulted  40+ economies consulted

Bespoke Full TA
- 6

Prospects
- 5+

Programmes in 2023 and beyond
- Egypt, Georgia, Jamaica, Peru, Fiji, Botswana

Bespoke Targeted TA
- 12

Jurisdictions assisted in 2023
- Including Bénin, Côte d’Ivoire, Ghana, Honduras, Mali, Nepal, Zambia and Zimbabwe, among others

Multilateral support
- ~180

Economies reached since 2020
- ~ 44

Multilateral workshops since 2020
Countries around the world are implementing VAT on e-commerce reform based on this guidance.

- Jurisdictions have implemented VAT reform directed at digital trade.
- Are considering reform.

**Distribution by Income Level**
- Regime in place: High Income, Middle Income, Low Income.
- Considering reform: High Income, Middle Income, Low Income.

**Distribution by Region**
- Europe: Regime in place 44, Considering reform 10.
- Asia: Regime in place 20, Considering reform 13.
- Oceania: Regime in place 4, Considering reform 1.

Data as of February 2024. Classifications are merely indicative. This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.
To know more…
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