

Pillar I Briefing

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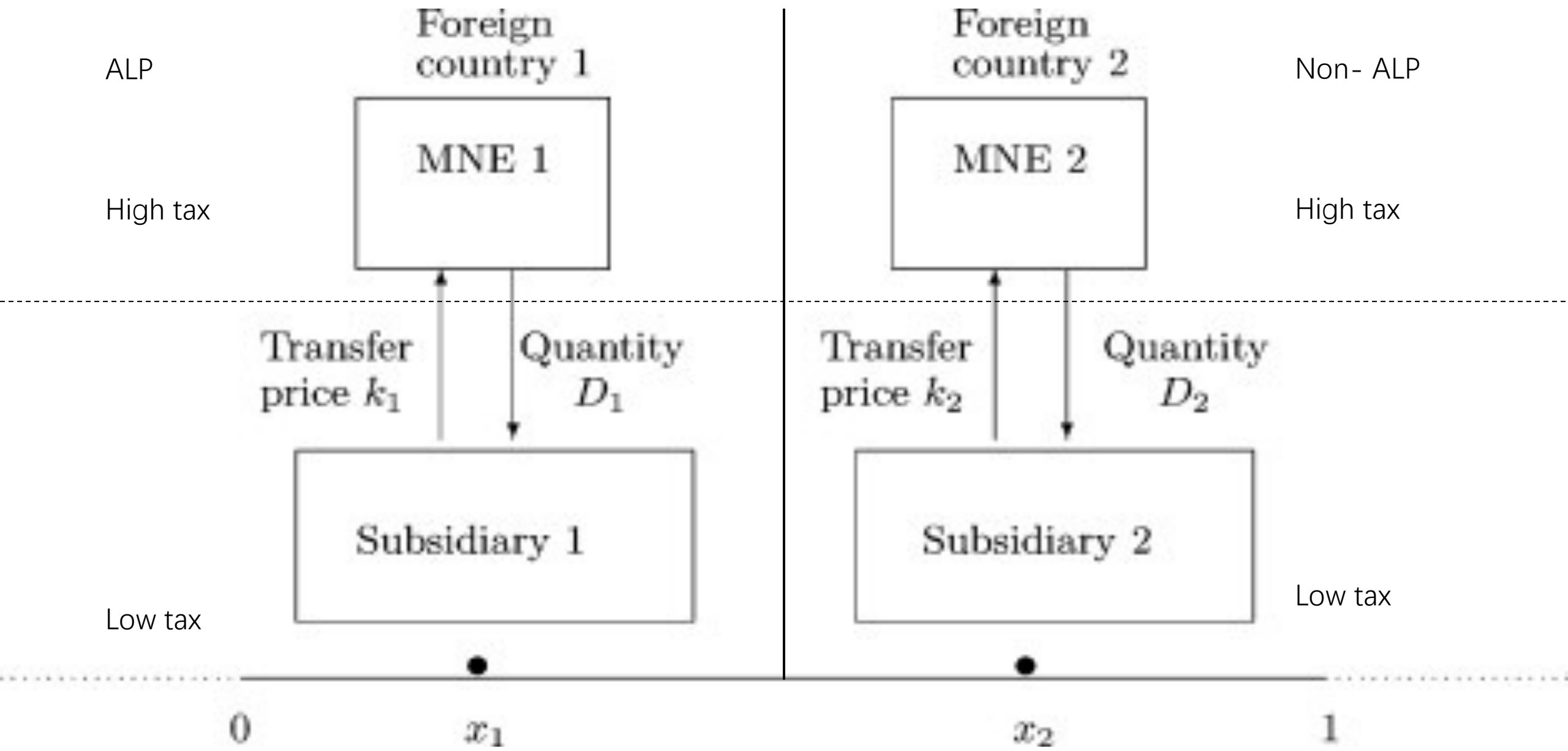
2022

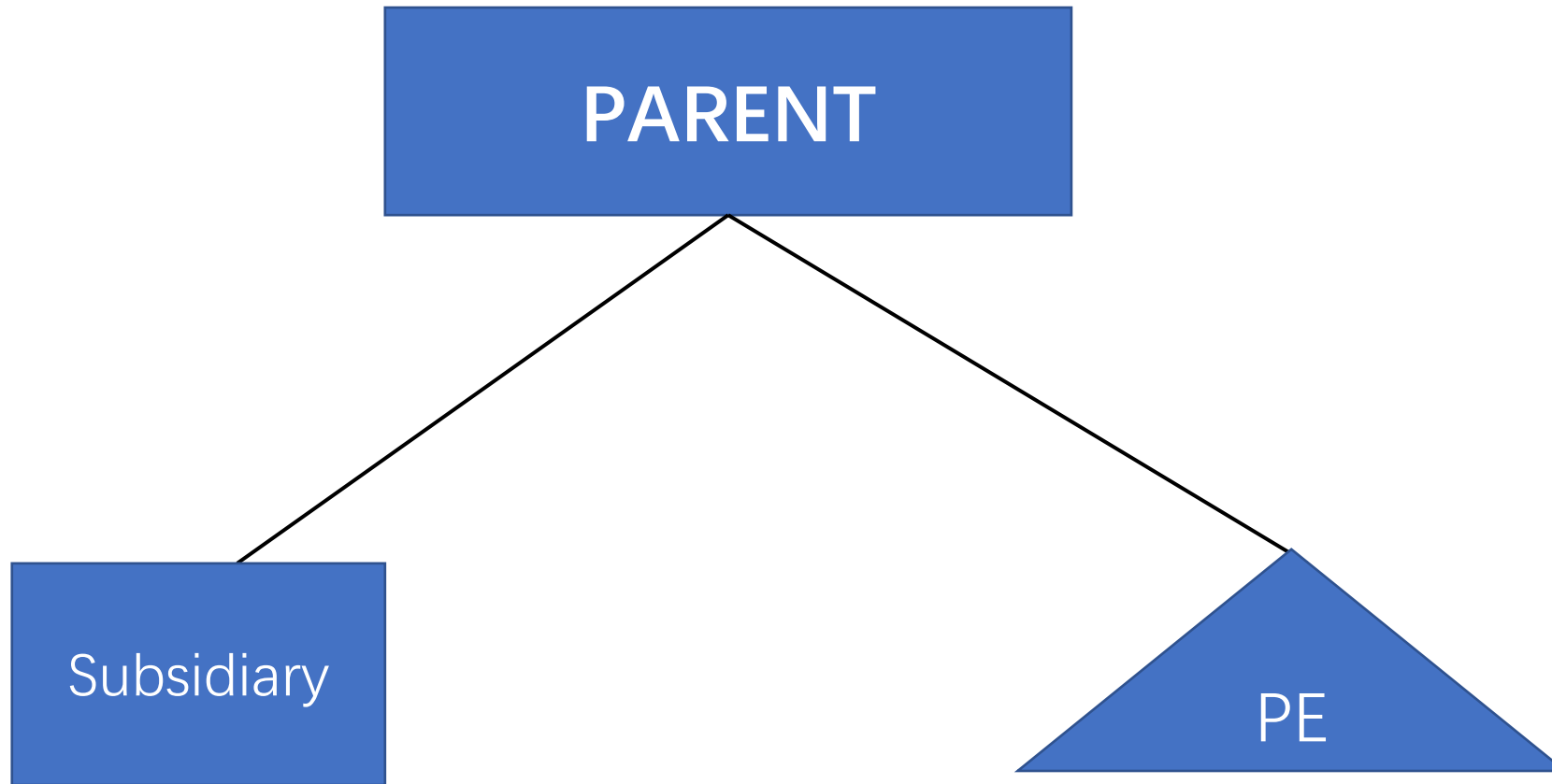
Part I

OLD RULES

Revisiting the traditional principles of int'l taxation on MNE profits

- ALP
 - Separate accounting principle
- PE
 - Separate entity principle





Part II

NEW RULES

Pillar I overview

Amount A

A share of residual profits allocated to countries with a revenue nexus

- Formulaic
- Group level
- New nexus

Amount B

Fixed return for baseline distribution functions

- ALP applies
- All MNEs subject to Amount B

Tax Certainty

Dispute prevention and resolution mechanisms

Early certainty and mandatory dispute resolution

Key Points

Scope:

- In-scope MNEs - global turnover above €20 billion and profitability above 10% calculated using an averaging mechanism

Nexus:

- Nexus test is met if the revenue of a Covered Group is:
 - - equal or greater than €1 million for jurisdictions with annual GDP equal to or greater than €40 billion
 - - equal to or greater than €250,000 for jurisdictions with annual GDP of less than €40 billion

Quantum:

- The profits subject to reallocation under Pillar One is 25% of the excess above 10% net profit margin

Tax certainty:

- *“an elective binding dispute mechanism for developing countries”*

Unilateral measures: an important addition:

- Indicates unilateral measures may apply beyond just vanilla DSTs — it refers to *“and other relevant similar measures”*
- Newly enacted DSTs to be stood still and stood down from 8 October 2021

Public Consultation

PUBLIC CONSULTATION DOCUMENT

Pillar One – Amount A: Draft Model Rules for Nexus and Revenue Sourcing

4 February 2022 – 18 February 2022



PUBLIC CONSULTATION DOCUMENT

Pillar One – Amount A: Draft Model Rules for Tax Base Determinations

18 February 2022 – 4 March 2022



PUBLIC CONSULTATION DOCUMENT

Pillar One – Amount A: Draft Model Rules for Domestic Legislation on Scope

4 April – 18 April 2022



PUBLIC CONSULTATION DOCUMENT

Pillar One – Amount A: Extractives Exclusion

14 April – 29 April 2022



PUBLIC CONSULTATION DOCUMENT

Pillar One – Amount A: Regulated Financial Services Exclusion

6 May – 20 May 2022



www.oecd.org

Process map of Pillar One

Step 1. Apply quantitative scoping criteria to the MNE group

Step 2. Determine MNE group's relevant profit (tax base)

Step 3. Apply nexus test to identify eligible market jurisdictions

Step 4. Allocate Amount A to eligible market jurisdictions through a formula

Step 5. Elimination of double taxation arising from Amount A

Step 6. Submission of self-assessment and early certainty process

1. Apply quantitative scoping criteria

Only MNE groups with revenue exceeding EUR 20 billion and a profitability of 10% (PBT/revenue) are potentially in scope of Amount A. In exceptional circumstances where a disclosed operating segment of an MNE independently meets the scope criteria even though the MNE group is out of scope on a group basis, the Amount A rules will apply to that disclosed operating segment.

2. Determine the relevant PBT measure starting from the consolidated financial accounts

Identify eligible consolidated GAAPs and apply tax adjustments to compute the MNE group's standardised Profit Before Tax (PBT). Deduct any carry-forwarded losses.

3. Nexus test in each market jurisdiction

Market jurisdiction eligible for Amount A reallocation are those where the in-scope MNE derives at least EUR 1 million in revenue from that jurisdiction. For smaller jurisdictions with GDP lower than EUR 40 billion, the nexus will be set at EUR 250 000.

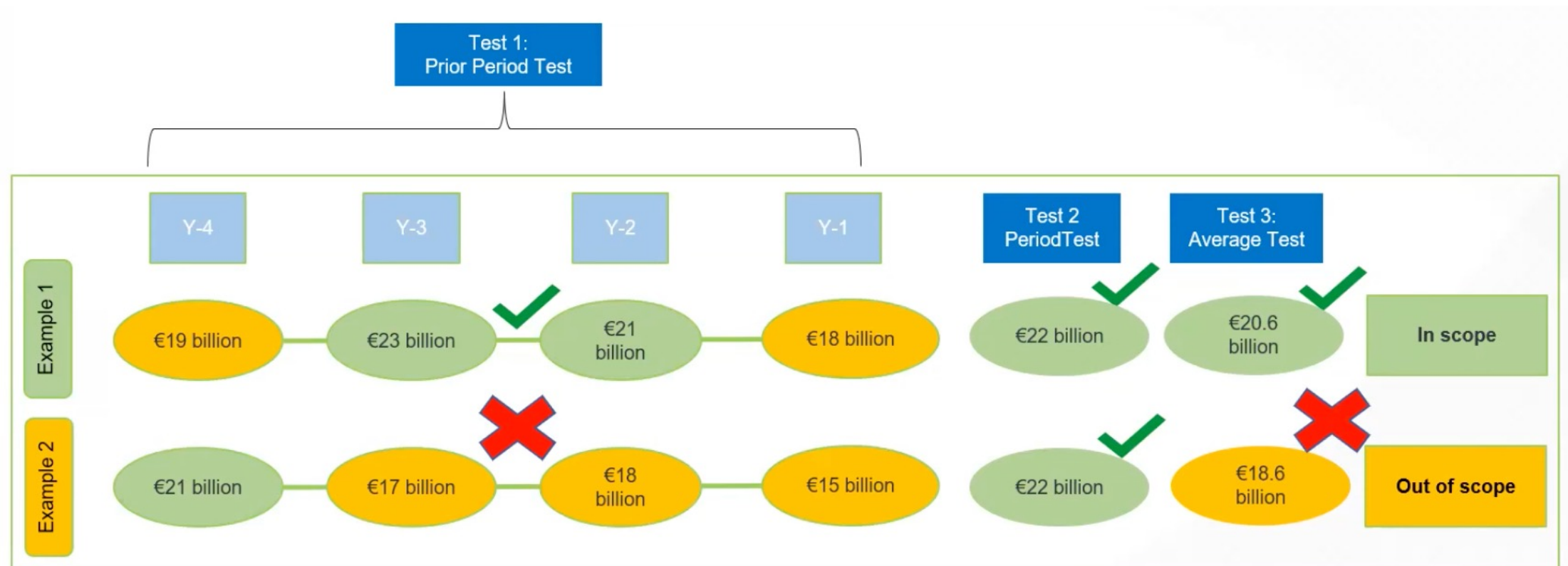
4. Formulaic calculation and allocation of Amount A

The quantum of Amount A allocated to a given eligible market jurisdiction is the result of a three-step formulaic calculation (i.e. profitability threshold, reallocation percentage and allocation key) applied to the profit determined under step 2, subject to the application of a marketing and distribution profits safe harbour for jurisdictions where the MNE has an existing taxable presence.

5-6. Identification of relieving jurisdictions, payment of Amount A and early certainty process

If Amount A tax is due, identify the jurisdiction(s) which are required to relieve double taxation and the entities that have to pay Amount A tax liability through a simplified administrative procedure together with an early certainty process.

Revenue Threshold Test



Elements of Tax Base

Book to tax adjustments

An MNE Group must adjust for:

- Current and deferred income tax expense/ income
- Dividends
- Equity gain or loss
- Expenses for illegal payments (e.g. bribes), fines and penalties

Restatements

Required under accounting rules (to maximum of 0.5% of group revenue)

Accounting for losses - (3 step process)

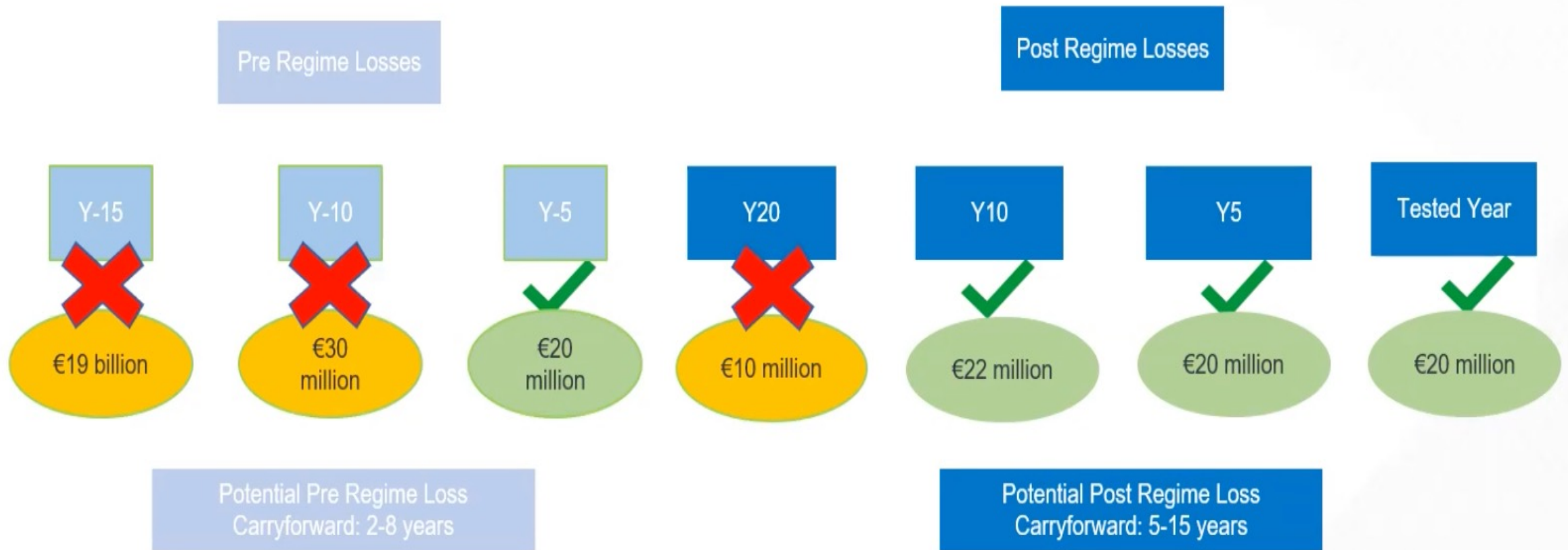
1. Identify eligible prior periods (from earliest period that generated unrelieved losses to current period)
2. Calculate net losses in eligible prior periods
3. Carry forward and deduct net losses in the current period

“Adjusted Profit Before Tax” – the basis for Amount A calculations

Calculation Tax Base

MNE Group consolidated financials	Pre-adjustment	Post-adjustment
Revenue	21,000	21,000
Other income;		
Dividends	100	0
Gain from sale of equity interest	200	0
Profit/loss from equity interest	1,700	0
Total other income	2,000	0
Total income	23,000	21,000
Cost of Goods Sold	15,000	15,000
Gross Margin	8,000	6,000
SG&A	3,875	3,875
Fines	600	0
Interest charge	400	400
Loss carry forwards applied	125	125
Adjusted PBT	3,000	1,600

Losses



Categories of revenue and source rules

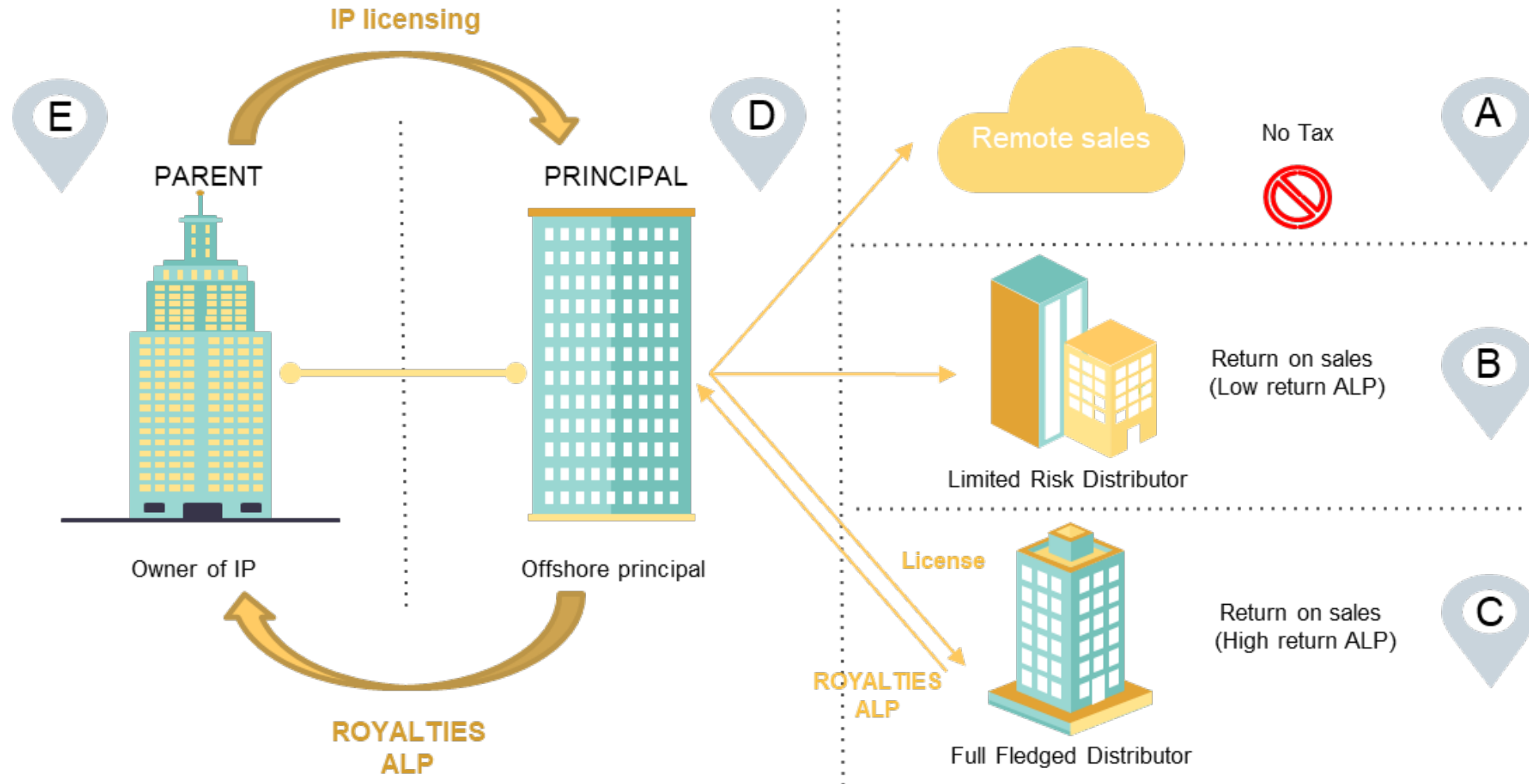
	Category	Principle of sourcing revenue
1	Finished goods	Place of delivery to final customer
2	Digital goods	Place of location of the customer, or place of use by a business
3	Components	Place of delivery to the final customer of the finished good
4	Services	Depends on the sub-category of service
5	Intangible property	Place of use of a service; place of delivery of a finished good or copyright; or location of user
6	Real property	Where real property is located
7	Government grants	Jurisdiction of granting government
8	Non-customer revenues	In proportion to other categories of revenue



MNEs will need to prove the accuracy of the application of the revenue sourcing rules

Amount A - Case study

Overview of MNE X



Amount A – Case study

Step 1 & 2 – Scope and tax base determination

Consolidated financial statement of MNE group X in EUR billion

Consolidated revenue	100
Consolidated expenses	60
Group PBT	40
Group profit margin	40%

Step 1 - Scope: Considering that MNE X has a total revenue of EUR 100 billion (>20 billion), and a profitability of 30% (>10%), MNE X is in scope for the purpose of Amount A

Step 2 – Tax base: Assumes MNE X prepared their consolidated financial statement under IFRS and no further adjustments are necessary (except for income taxes). There are no available carry-forward losses. The tax base for Amount A purposes will therefore be the P&L disclosed in the consolidated financial statement less income taxes: EUR 40 billion.

Amount A – Case study

Step 3 – Nexus

Step 3 – Nexus: MNE X generates revenue in 5 market jurisdictions. In each jurisdiction, the total sales of MNE X are larger than EUR 1 million. Therefore, there is a nexus in each of the 5 market jurisdictions.

Jurisdiction	GDP in EUR billion	Total locally sourced revenue of MNE group X in EUR billion	Is the market jurisdiction eligible? (MNE's sales >EUR 1 million)
Jurisdiction A	45	10	Yes
Jurisdiction B	120	20	Yes
Jurisdiction C	300	30	Yes
Jurisdiction D	250	30	Yes
Jurisdiction E	260	10	Yes

Amount A – Case study

Step 4 – Allocation of Amount A (I)

Step 4 – Allocation of Amount A: The allocation of Amount A involves a profitability threshold, an allocation percentage, and a reallocation key.

- 1. Profitability threshold:** Residual profit has been defined as profit in excess of 10% of revenue. The amount of residual profit of MNE group X is therefore EUR 40 billion (PBT) – $0.1 * \text{EUR billion } 100$ (10% of total revenue), which is EUR 30 billion.
- 2. Reallocation percentage:** 25% of residual profit will be reallocated to market jurisdictions. This means that the re-allocable tax base is 25% of EUR 30 billion, which is EUR 7.5 billion.
- 3. Allocation key:** allocation of the reallocable residual profit to eligible market jurisdictions will be based on a revenue-based allocation key. (See next slide)

Amount A - Case study

Step 4 – Allocation of Amount A (II)

Allocation of the reallocable residual profit to eligible market jurisdictions will be based on a revenue-based allocation key

Jurisdiction <i>(EUR billion)</i>	Total locally sourced revenue of MNE group X (S)	Global revenue of MNE group X (R)	Allocable tax base (A)	Amount A allocated to the market jurisdiction (S/R*A)
Jurisdiction A	10	100	7.5	$10 / 100 * 7.5 = 0.75$
Jurisdiction B	20			$20 / 100 * 7.5 = 1.5$
Jurisdiction C	30			$30 / 100 * 7.5 = 2.25$
Jurisdiction D	30			$30 / 100 * 7.5 = 2.25$
Jurisdiction E	10			$10 / 100 * 7.5 = 0.75$

Amount A – Case study

Step 4 & 5 – Allocation of Amount A and elimination of double taxation

The total amount of profit allocated to an eligible market jurisdiction that is ultimately taxed in that jurisdiction may also be impacted by the *marketing and distribution profits safe harbour* and the *mechanism to eliminate double taxation*.

Marketing and distribution profits safe harbour (MDSH)

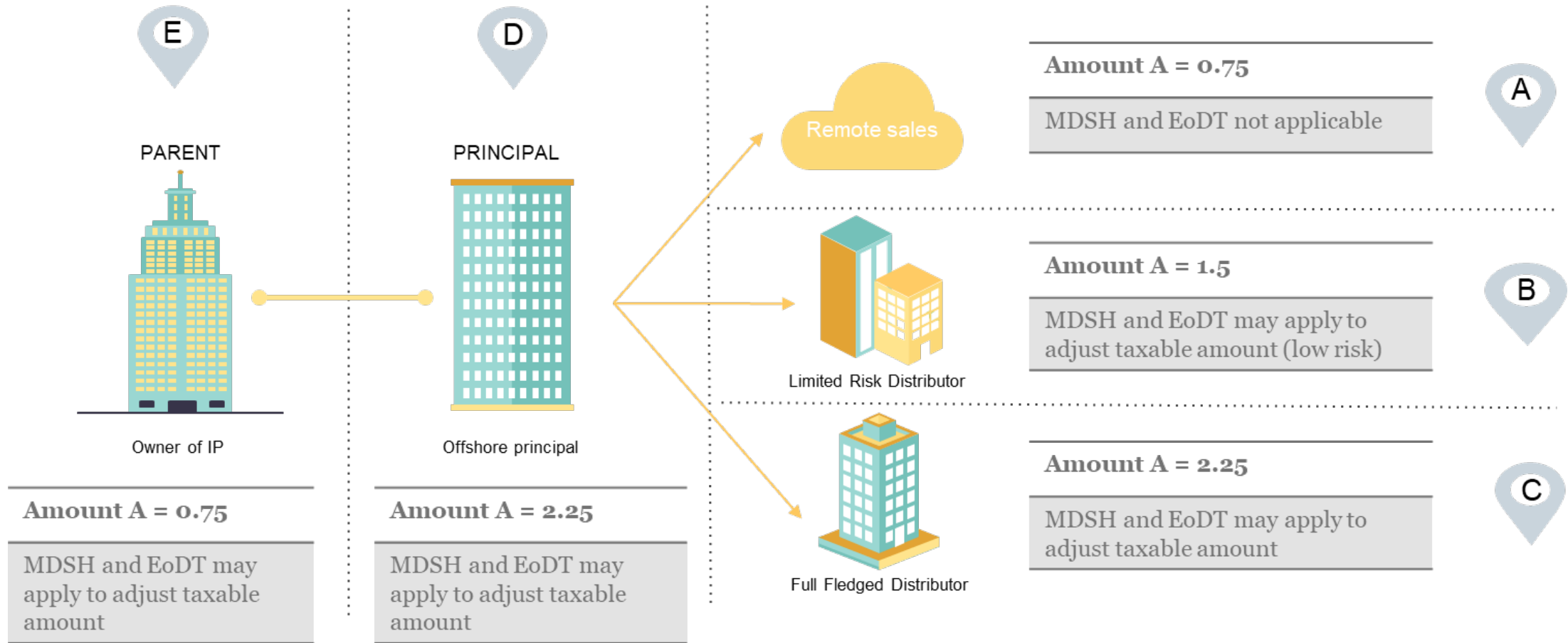
In jurisdictions where MNE group X already has a taxable presence entitled to residual profit, Amount A may be capped to prevent the same residual profit being taxed twice.

Mechanism to eliminate double taxation (EoDT)

In jurisdictions where MNE group X has entities entitled to residual profit, there may be a requirement to relieve double taxation for Amount A allocated to other jurisdictions (i.e. give up part of their existing taxing rights).

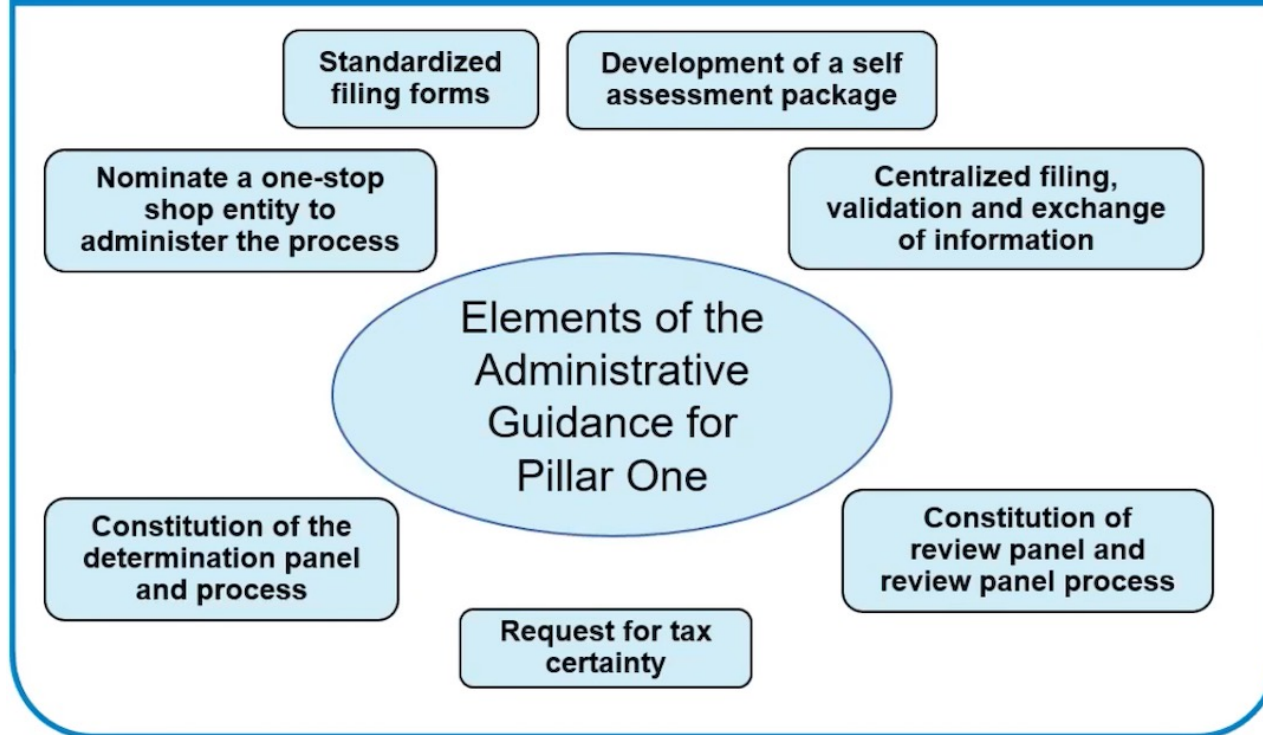
Amount A - Case study

Conclusion

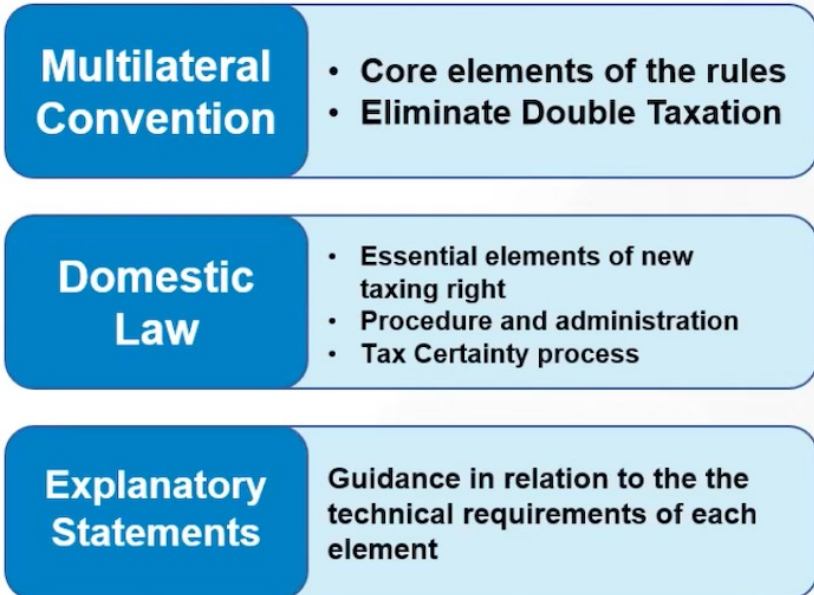


Administration and Implementation

Administration:



Implementation:



规则简述

- 范围

- 企业：年营收200亿欧元以上（含）。
- 排除：金融业、采掘业。
- 盈利能力：利润率10%以上（含）。
- 市场国：企业在该国的年销售收入1 百万欧元（含） 以上；GDP400亿欧元以下的国家，年销售收入应达到25万欧元。

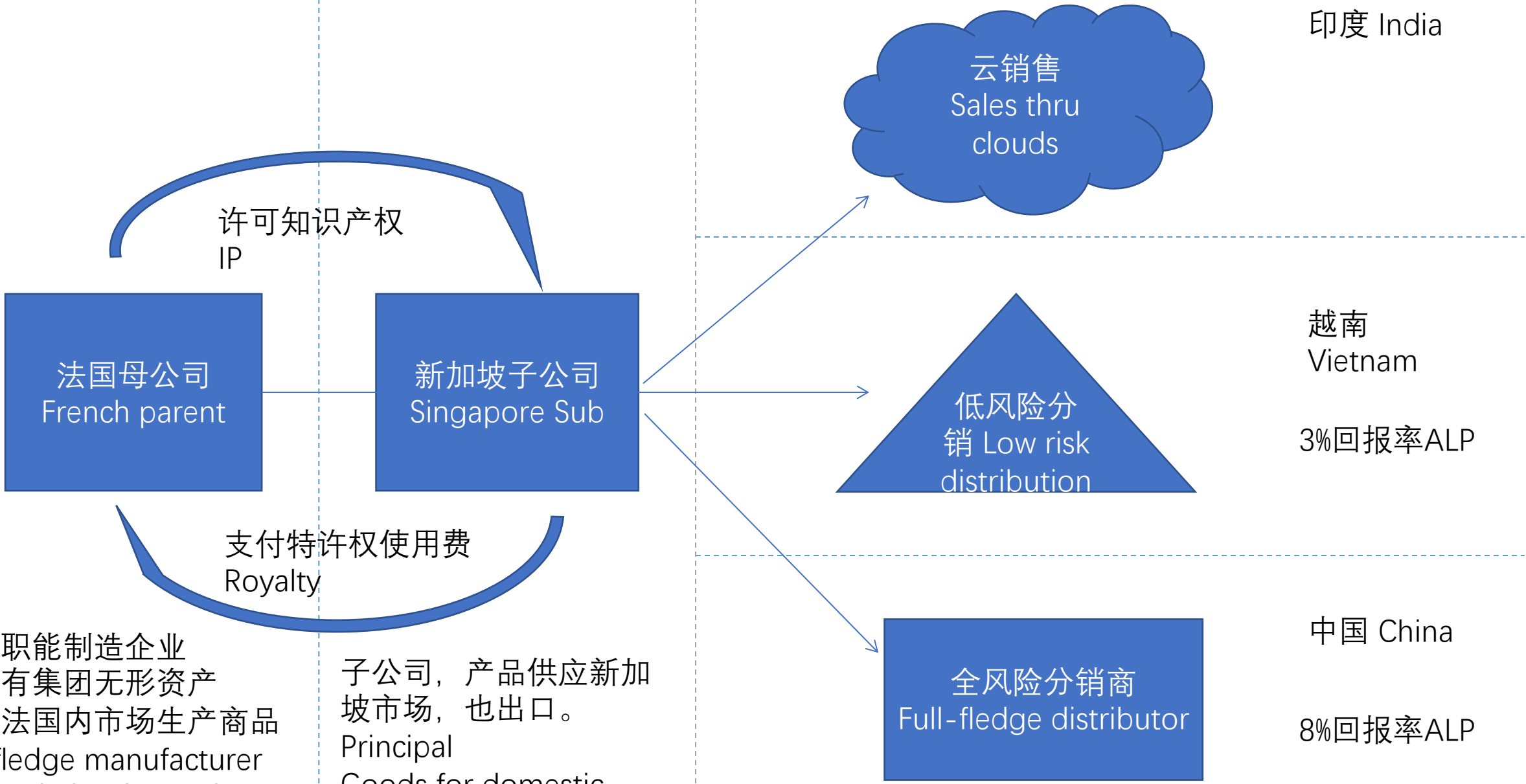
- 分配比例：剩余利润（非常规利润）的25%。

- 联结度：企业在市场国的销售收入占集团总营收的比例。

- 公式： $A = (\text{集团税前利润率} - 10\%) \times 25\% \times \text{联结度}$

- 全职能制造企业
 - 拥有集团无形资产
 - 为法国内市场生产商品
- Full-fledge manufacturer
IP, Goods for domestic
and overseas markets

子公司，产品供应新加坡市场，也出口。
Principal
Goods for domestic
and overseas markets



印度 India

越南
Vietnam

3%回报率ALP

中国 China

8%回报率ALP

集团合并财务报表（2023年，美元）

- 集团营收：1000亿
- 合并成本费用
 - 销售成本 = 300亿
 - 研发成本 = 50亿
 - 推广与分销 = 150亿
 - 管理费用 = 50亿
 - 利息支出 = 50亿600亿
- 集团利润（税前）400亿
- 集团税前利润率（PBT）40%（ $400 \div 1000$ ）

集团合并财务数据假设				
(财务年度：2023年度)				
序号	财务指标	单位	金额	备注
1	集团合并营收总额	亿元	1000	
2	集团合并成本费用	亿元	600	
2.1	销售成本	亿元	300	
2.2	研发成本	亿元	50	
2.3	推广与分销	亿元	150	
2.4	管理费用	亿元	50	
2.5	利息支出	亿元	50	
3	集团合并利润（税前）	亿元	400	
4	集团税前利润率	%	40%	

分配率的计算

- 第一步：常规利润率（税前）为10%， 所以非常规利润率（税前）为30%（40%-10%）。
- 第二步：30%非常规利润的25%视为市场国经济活动创造的利润； 30%非常规利润的75%视为供给端经济活动创造的利润。所以，7.5%（25%*30%）向市场国分配，22.5%（30%-7.5%）向供给方分配。
- 第三步：因集团总营收的7.5%为向市场国分配的利润率，所以拟分配至市场国的利润总额为75亿（1000*7.5%）。

向市场国分配的总额的计算

(财务年度：2023年度)

序号	计算指标	单位	金额	备注
1	集团合并营收总额	亿元	1000	
2	计算步骤			计算公式＝（集团合并税前利润率－常规利润10%）＊分配至市场国的比例25%
2.1	集团合并税前利润率	%	40%	
2.2	减：常规利润率10%	%	10%	谈判议定
2.3	非常规利润率	%	30%	
2.4	乘：分配至市场国的比例20%	%	25%	谈判议定
2.5	向市场国分配的比例	%	7.5%	
3	可供分配至市场国的总额	亿元	75	计算公式＝集团合并营收＊市场总联结度

集团销售信息 (Information on sales)

- 印度 (India): 总营收的10%, 10 billion
- 越南 (Vietnam): 总营收的20%, 20 billion
- 中国 (China): 总营收的30%, 30 billion
- 新加坡 (Singapore): 总营收的30%, 30 billion
- 法国 (France): 总营收的10%, 10 billion

如何分配75亿？

- **印度**：已知印度对总营收的贡献比例（即来自印度的销售收入占集团总营收的比例）为10%，所以，分配给印度的剩余利润是7.5亿（ $75 * 100 / 1000 = 7.5$ ）。
- **越南**：已知越南对总营收的贡献比例（即来自越南的销售收入占集团总营收的比例）为20%，所以，分配给越南的剩余利润是15亿（ $75 * 200 / 1000 = 15$ ）。

注意：越南当地公司财务报表显示的回报率为3%， $200 * 3\% = 6$ ，小于15。怎么办？需要看第一支柱金额B的设计（2022年底完成）。

如何分配75亿？（续）

- **中国**：已知中国对总营收的贡献比例（即来自中国的销售收入占集团总营收的比例）为30%，所以，分配给中国的剩余利润22.5亿（ $75 \times 300 / 1000 = 22.5$ ）。

注意：中国公司财务报表显示的回报率为8%， $300 \times 8\% = 24$ ，大于22.5。怎么办？这时需要注意安全港规则，即：

假如集团公司在市场国的营销、分销业务所取得的利润回报大于或等于拟分配的利润，则不再向该市场国分配剩余利润。

如何分配75亿？（续）

- **新加坡**：已知新加坡对总营收的贡献比例（即来自新加坡的销售收入占集团总营收的比例）为30%，所以，分配给新加坡的剩余利润是22.5亿（ $75 \times 300 / 1000 = 22.5$ ）。

注意：因印度的销售是新加坡公司进行的，越南的公司是新加坡公司的投资，所以，新加坡公司需要承担消除印度、越南相关所得双重征税的义务，集团公司分配给新加坡的税基（利润）正好是集团公司分配给印度的利润（7.5亿）与分配给越南的利润（15亿）之和，所以集团公司不再分配利润给新加坡。

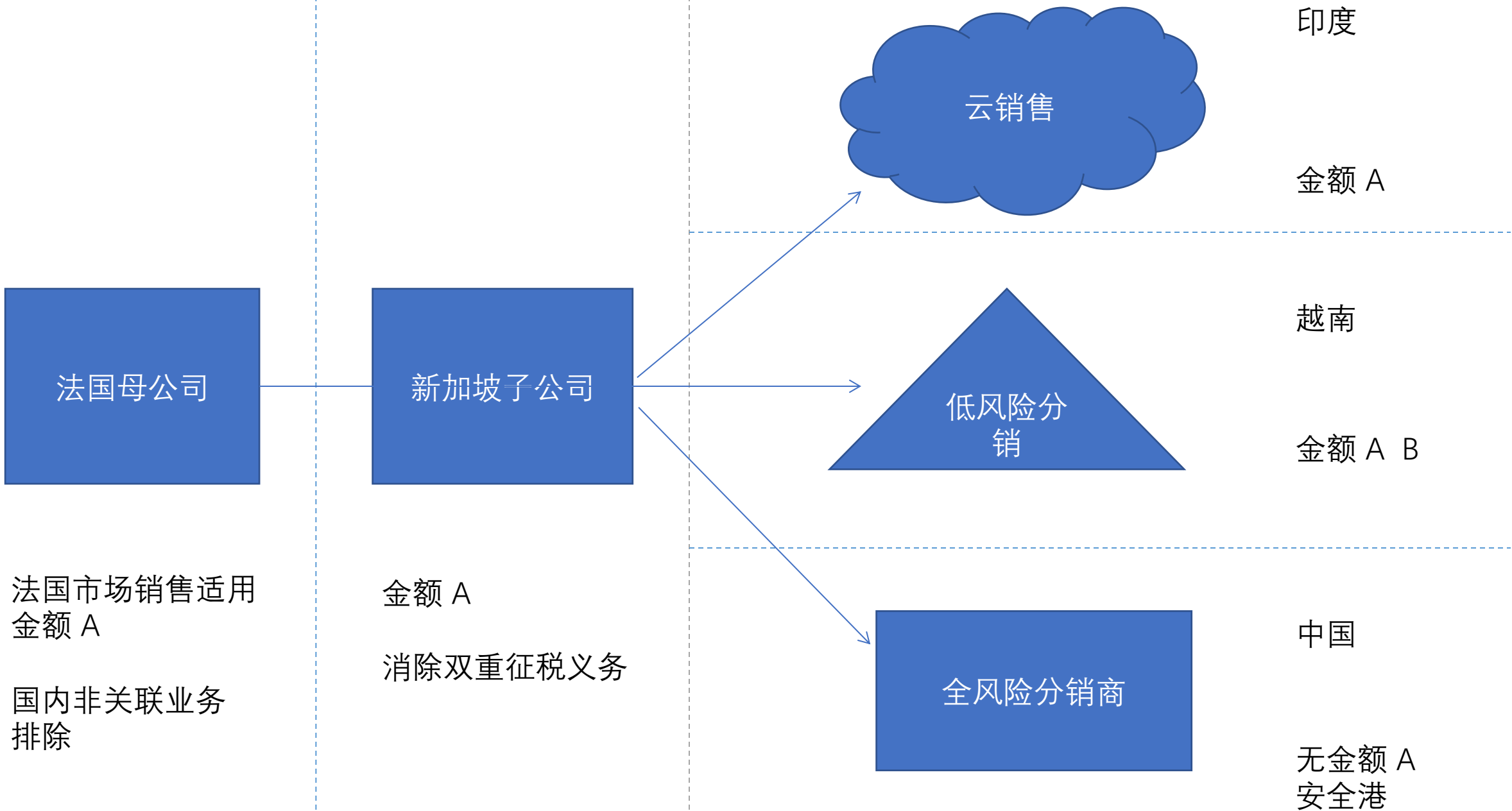
$$22.5 - 22.5 = 0$$

如何分配75亿？

- **法国**：已知法国对总营收的贡献比例（即来自法国的销售收入占集团总营收的比例）为10%，所以，分配给法国的剩余利润是7.5亿（ $75 \times 100 / 1000 = 7.5$ ）。

注意：

法国公司财务报表还会记录公司在法国的剩余利润情况，该公司将承担集团财务数据汇总，以及金额A的计算与分配。如果法国公司的部分业务完全是法国国内业务，不属于A范畴，则可能排除。



最终分配情况

- 印度： 7.5亿
- 越南： 15亿
- 中国： 22.5-24
- 新加坡： $22.5 - 22.5 = 0$
- 法国： 7.5亿

* 余额留给UPE（法国）。

**各国收到A以后，乘以国内企业所得税率，即是本国企业所得税收。

损失处理

	2022	2023
合并营收	1000	1000
合并费用	1200	600
集团利润（税前）	-200	400
集团利润率（税前）	-20%	40%
损失	？ ？ ？	

2022年的损失处理

- 第一步：常规利润率为10%， $40\% - 10\%$ ，所以非常规利润率为 -30% ；
- 第二步： -30% 的75%给供给端，25%给市场端（需求端），得出 -7.5% 分配给市场国；
- 第三步：集团公司对市场国的损失是集团总营收的 -7.5% ，-75亿（ $1000 * -7.5\%$ ）。

2022年的损失以及2023年的税基

	2022	2023
合并集团营收	1000	1000
合并费用	1200	600
集团利润（税前）	-200	400
集团利润率（税前）	-20%	40%
往前结转损失	-75	-75
金额 A		$0 = 75 - 75$

新税制之前的损失处理

	2021	2022	2023
合并集团营收	1000	1000	1000
合并费用	1200	1200	600
集团利润（税前）	-200	-200	600
往前结转损失	-75	-75	+75
金额 A			0 *
			2024年仍有75亿可以弥补

结语：新税制的性质

1. 单一税制：集团统一申报；
2. 公式分配法：不适用独立会计原则、独立实体原则和独立交易原则；
3. 税基分配；
4. 给市场以回报：以销售收入为税基分配变量。

Part III

Why Amount A

G20 Mandate:

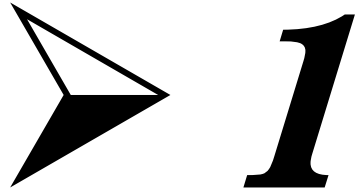
Building a **fair** and **modernized** international tax system

A is designed to reward the market jurisdictions where an MNE has significant and sustainable presence through sales.

PROFIT DISTRIBUTION

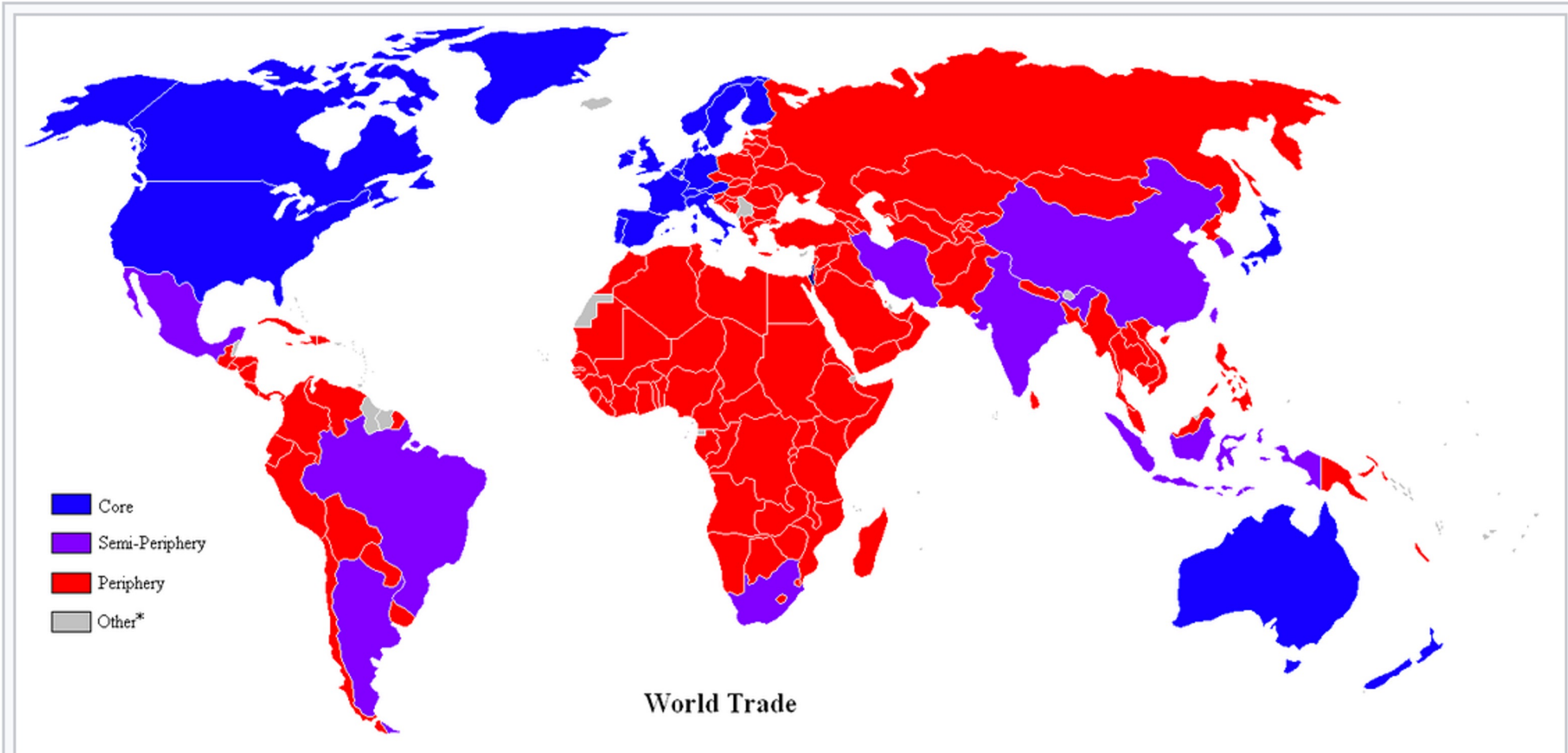
ASYMMETRY

In the World System



The World Capitalist System

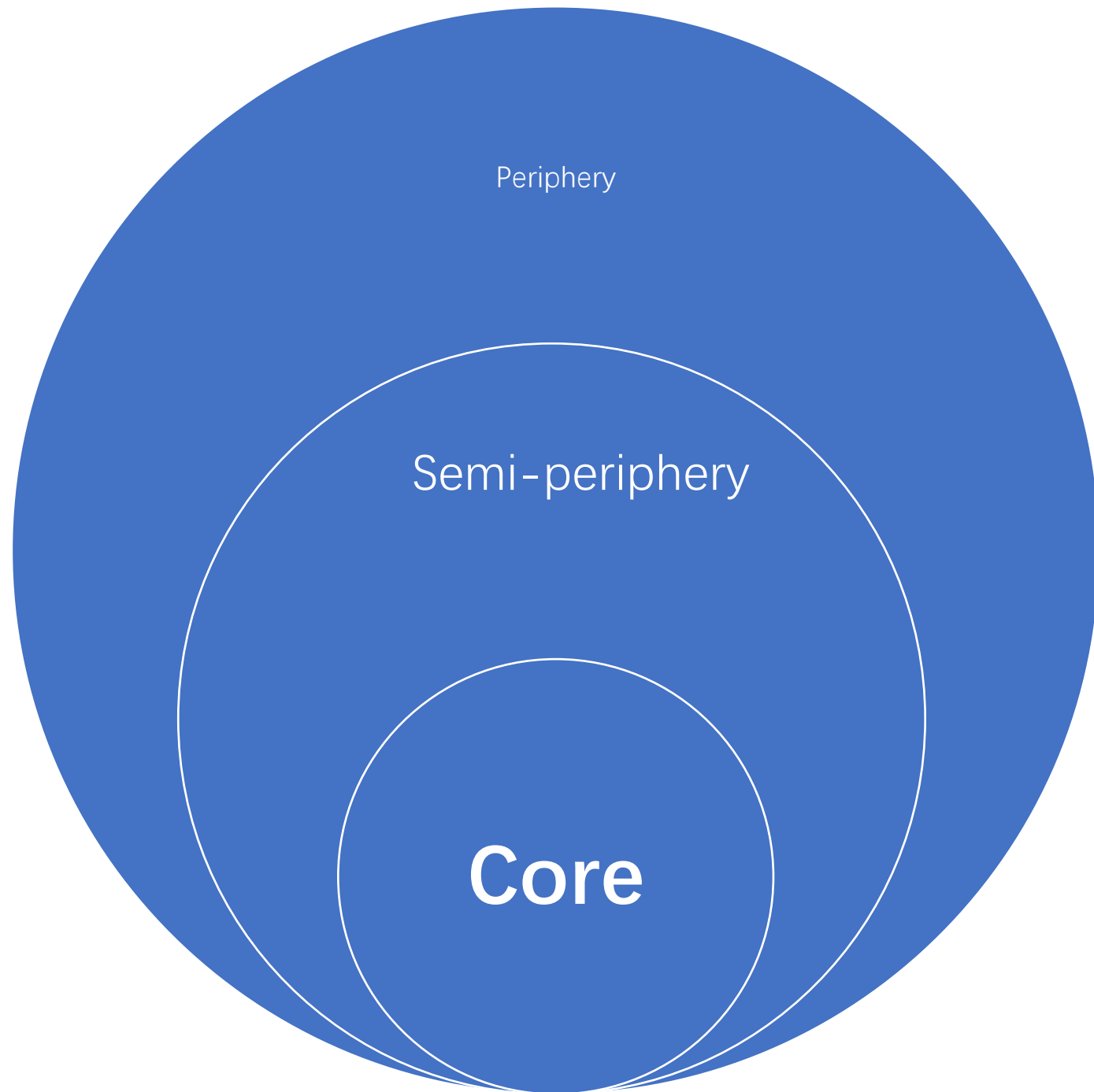
Old World System



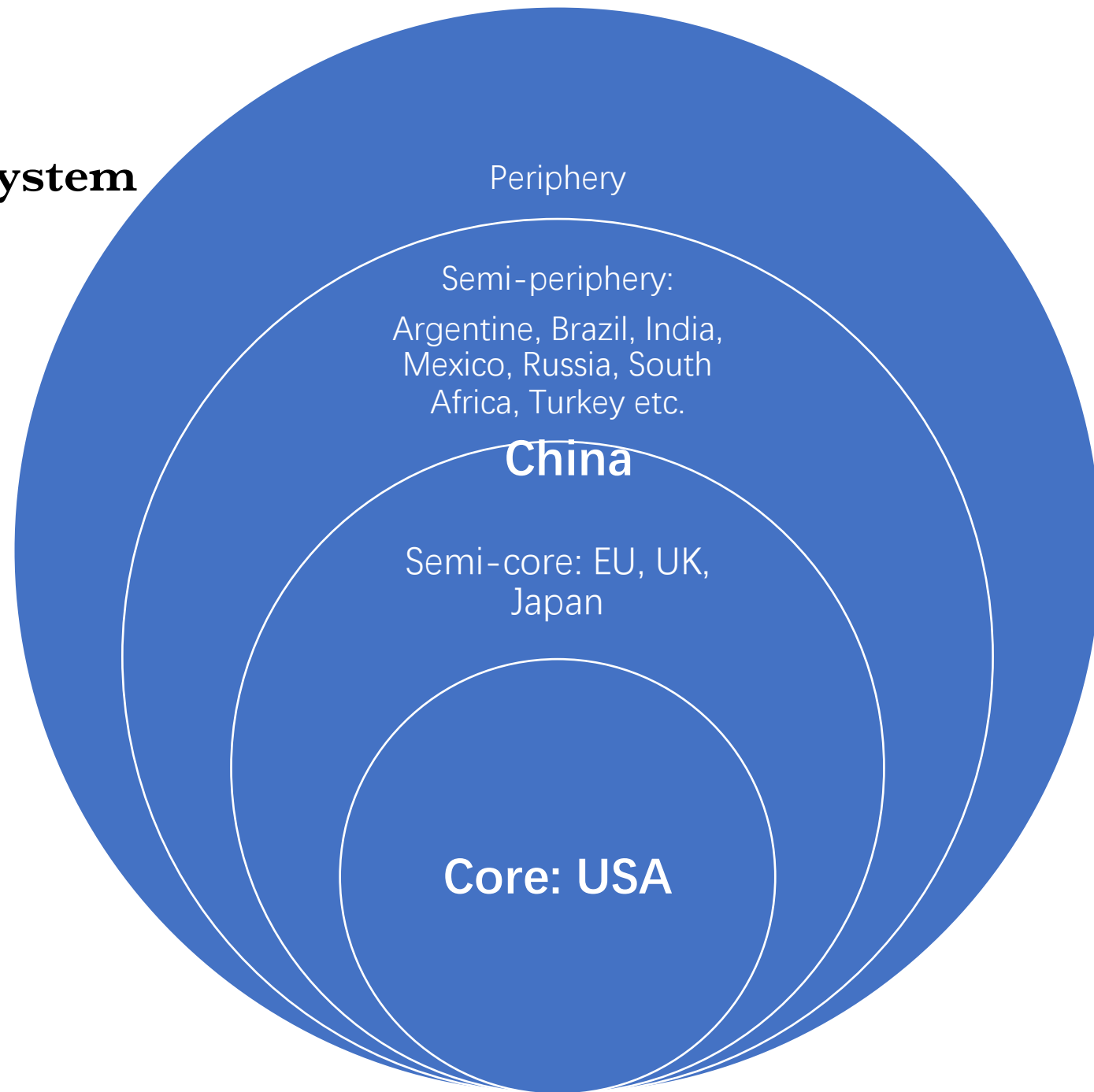
A world map of countries by trading status, late 20th century, using the world system differentiation into core countries (blue), semi-periphery countries (purple) and periphery countries (red). Based on the list in Dunn, Kawana, Brewer (2000).

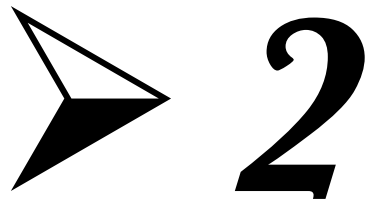


**The Old World
System Based on
Wallerstein**



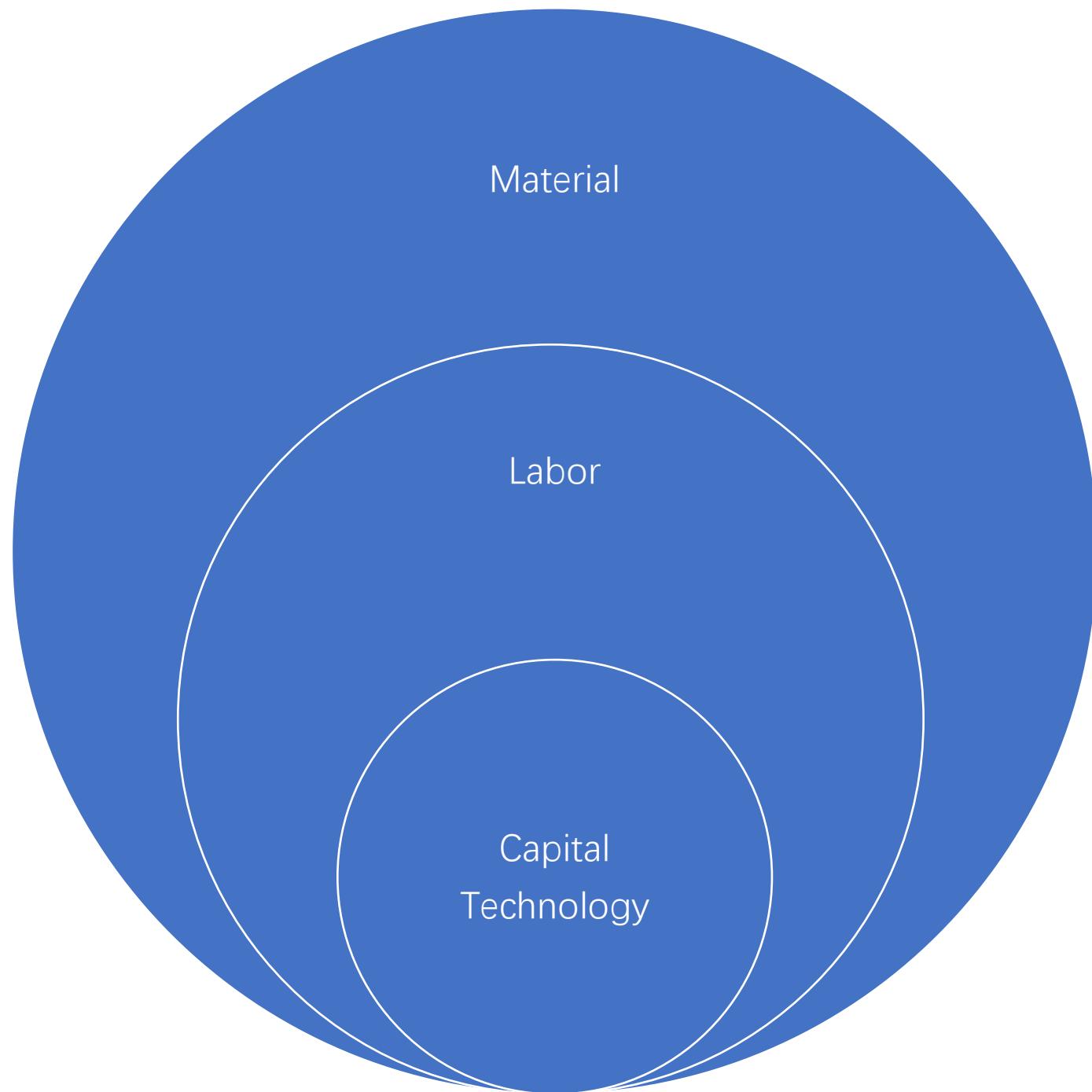
The New World System

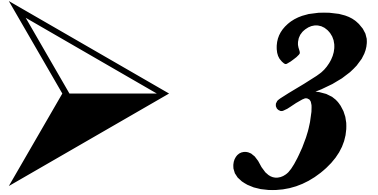




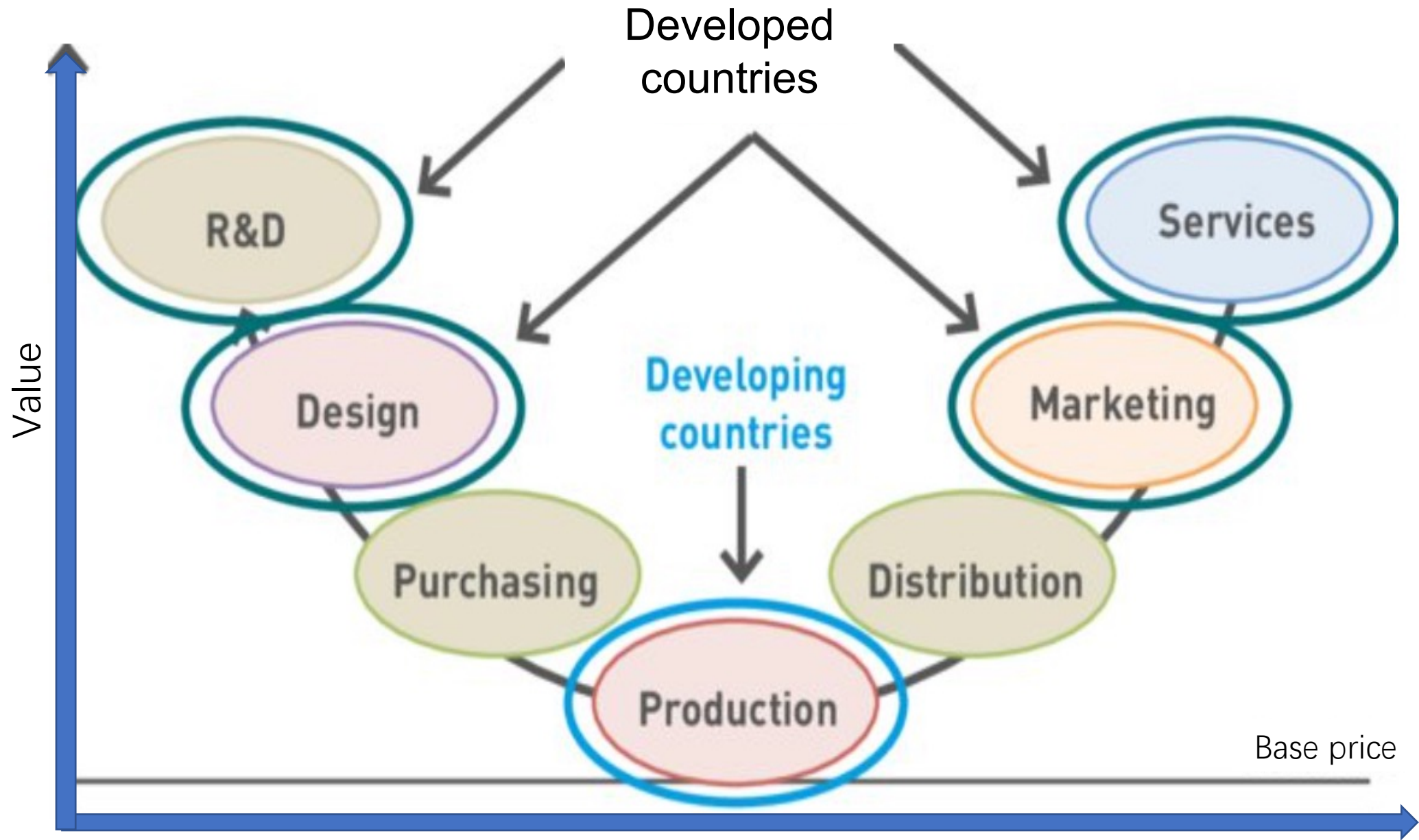
Factor Deployment

**Factor
Deployment**

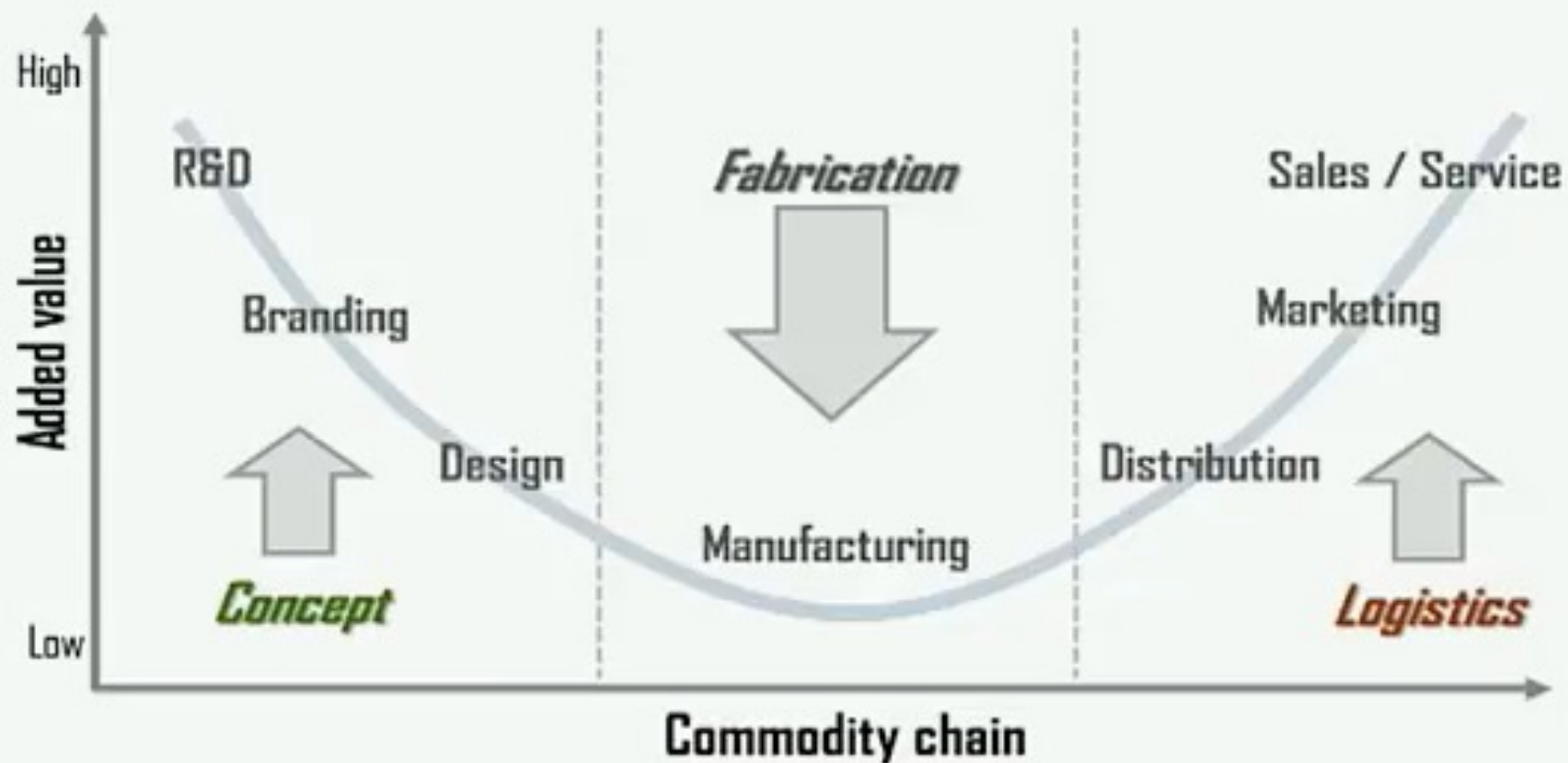




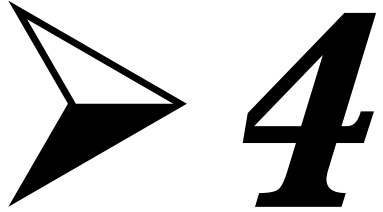
Global Value Chain



The exploitation curve

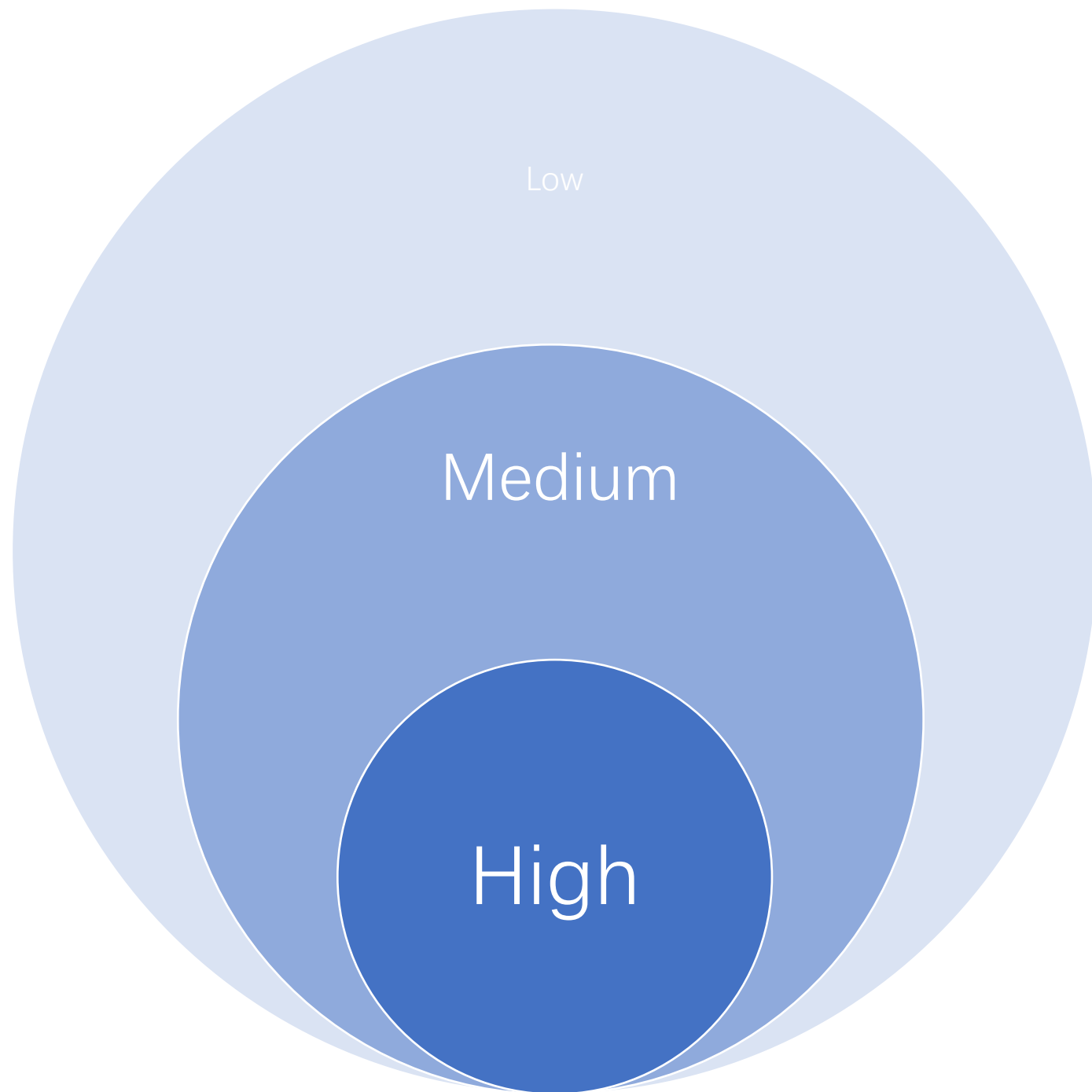


Over the last decades the exploitation curve became deeper

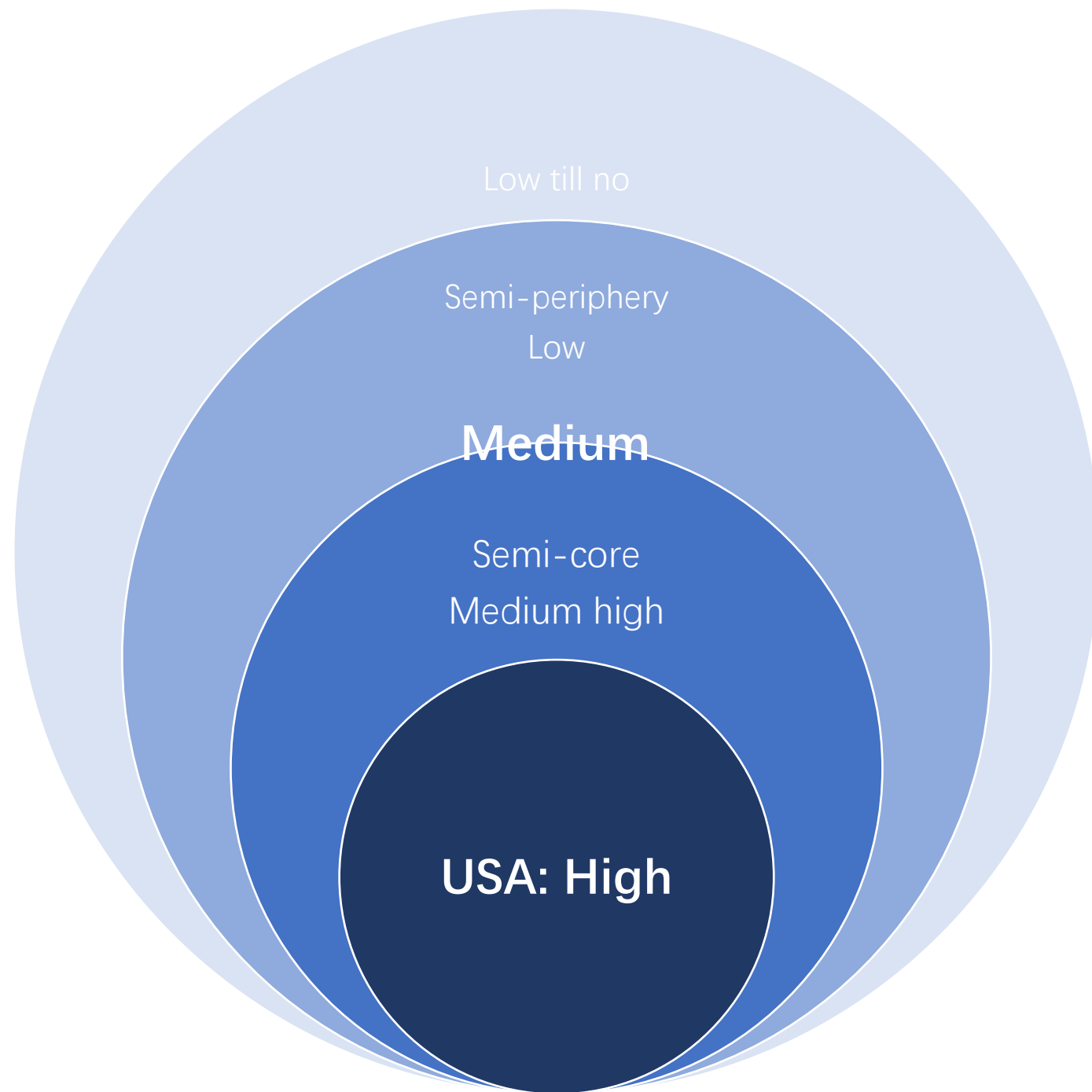


Profit Distribution

Old System



New System



Uneven distribution of residual profits

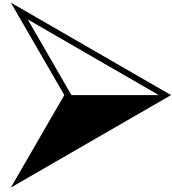
- 400\$ - US
- 350\$ - Japan, Korea, Taiwan
- 50\$ - CN



-- Yukon Huang

Uneven distribution of residual profits (cont'd)

- Apple, Amazon, Facebook, Google, Netflix
- MNCs generate 10 percent of the world's annual GDP
- MNCs create more than 50 percent of the value of world trade.
- MNCs abuse the defected tax system, operating with global group integration in more than one country (a transitional company) to use shadow pricing and other forms of legal tax avoidance to reduce their liability to pay tax and thereby increase the return to those with an equity stake.
- Because of tax avoidance, national governments do not generate the revenues needed to pay for public services and welfare systems - both of which can have a progressive effect on the final distribution of income.
- UK estimated that, in 2017, multinational businesses managed to avoid paying nearly £6 billion in tax revenues.
- Oxfam estimates that tax avoidance costs developing countries \$170 billion a year whereas \$100 billion could provide an education for 124 million children and pay for healthcare services that could prevent the deaths of at least six million children annually.



5

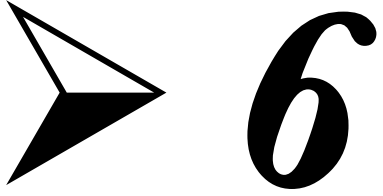
Level of Budgetary Dependence on Corporate Tax



High

Medium

Low



Reasons for Asymmetry

✓ *6.1*

Concentration of capital

Descriptive Statistics by HQ Location				
Headquartered in	Number of Companies	Share of Fixed Asset	Share of EBIT	Average Tax Rate
high-income	5833	76.88%	75.58%	25.41%
upper-income	1882	14.23%	14.19%	24.16%
low-income	694	2.73%	3.41%	38.98%
undisclosed	1591	6.16%	6.82%	13.70%
Total	10000	100.00%	100.00%	

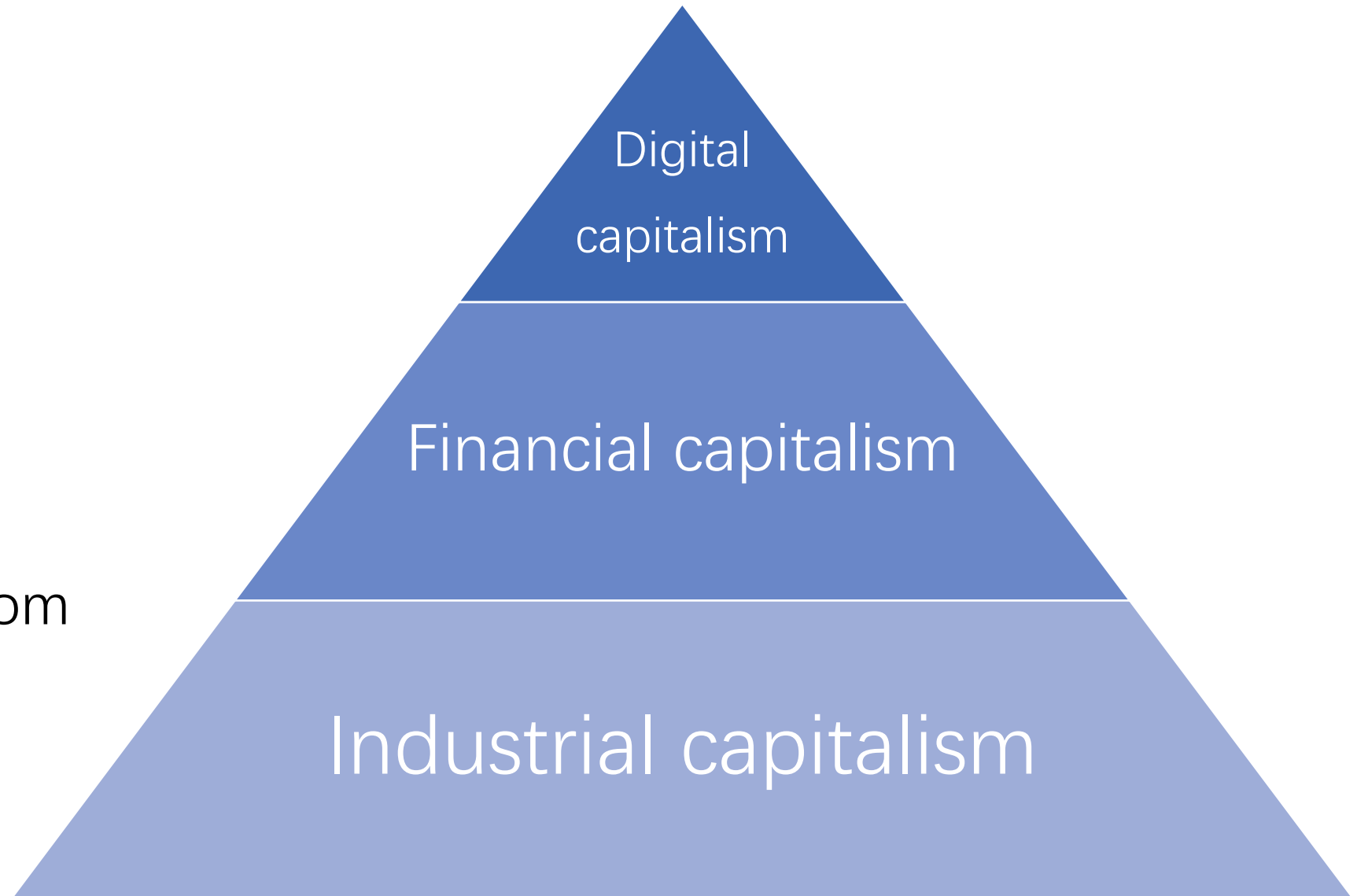
Descriptive Statistics by Sector							
	Number of Companies	Share of Fixed Assets(%)	Share of EBIT(%)	Average Tax Rate(%)	Return on Fixed assets(%)	Mark-up(%)	K/COGS (%)
Industry Sector	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Communication Services	219	7.4%	8.3%	22%	4%	1219%	10670%
Consumer Discretionary	1869	14.5%	15.5%	23%	35%	-17%	382%
Consumer Staples	792	6.6%	8.8%	24%	23%	23%	252%
Energy	408	12.5%	8.9%	22%	9%	75%	1661%
Financials	104	2.3%	1.0%	27%	24%	-2375%	299%
Health Care	584	5.9%	6.8%	26%	-25%	-1802%	-12238%
Industrials	2504	18.7%	16.0%	24%	12%	1%	74%
Information Technology	1521	7.8%	12.6%	24%	22%	29%	197%
Materials	1345	9.6%	11.5%	24%	21%	18%	191%
Real Estate	445	6.8%	5.4%	19%	35%	1940%	37384%
Utilities	209	7.9%	5.2%	22%	17%	1288%	16238%
Average, unweighted					16%	36%	5010%
Average, weighted(with fixed assets)					17%	177%	4241%

Capital concentration and monopoly

- The increasing strength and expansion of super-companies, especially over the last five decades, have advanced economic internationalization and globalization. Globally, the 500 largest companies generated \$31.1 trillion income in 2014, which accounted for nearly 40 percent of world income.
- Super-companies not only have a monopoly within a country's borders but also are dominant in other countries worldwide. The overseas assets of the world's 100 largest non-financial super-companies in 2011 accounted for 63 percent of their total assets, whereas foreign sales reached 65 percent of their total.
- Procter & Gamble(宝洁), ranked 100 in the list of the largest companies, has revenues that are higher than the GDP of Oman, which is the largest economy in a group of 124 small and medium-sized economies, with \$81.8 billion in 2014.

- Integration
- Monopoly
- Concentration
- Dependence
- Exploitation

Three levels from
bottom to top



Stages of evolution

Each new stage of capitalism has entailed an improvement in the dynamics of accumulation. The evolution of capitalism is driven by a flight forward to escape the rate of diminishing returns

-- Karl Marx 1990

- Before 1971: industrial capitalism: brick and mortar
- From 1971 to 2008: financial Capitalism: finance
- From 2008 onwards: digital capitalism: finance, data and algorithm (AI)

Piketty: inequality caused by capital monopoly

从长远来看

In the long run,
there is a tendency for the

$r > g$

rate of
return of capital

资产回报率

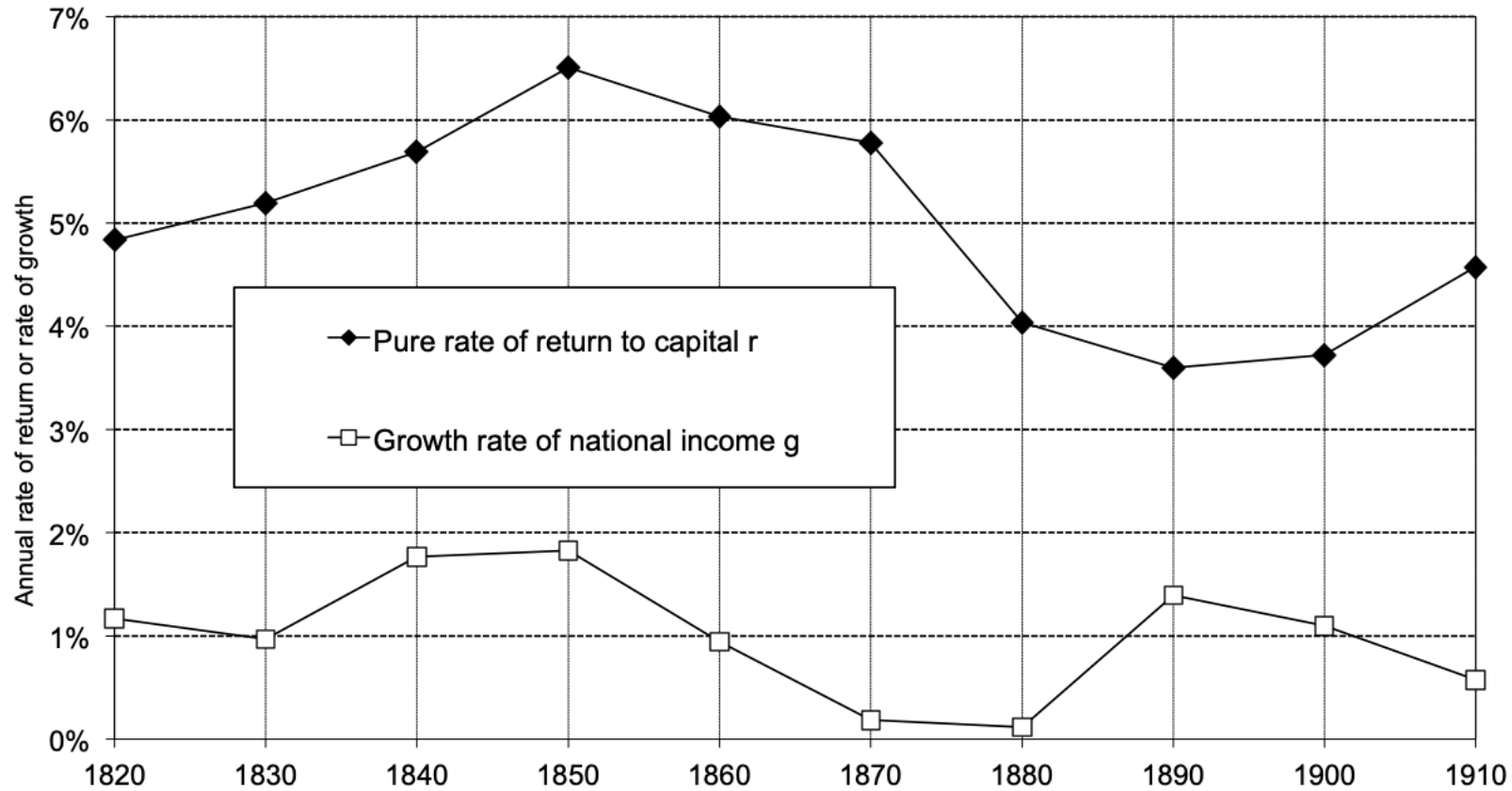
to
exceed

大于

the economy's
growth rate

经济增长率

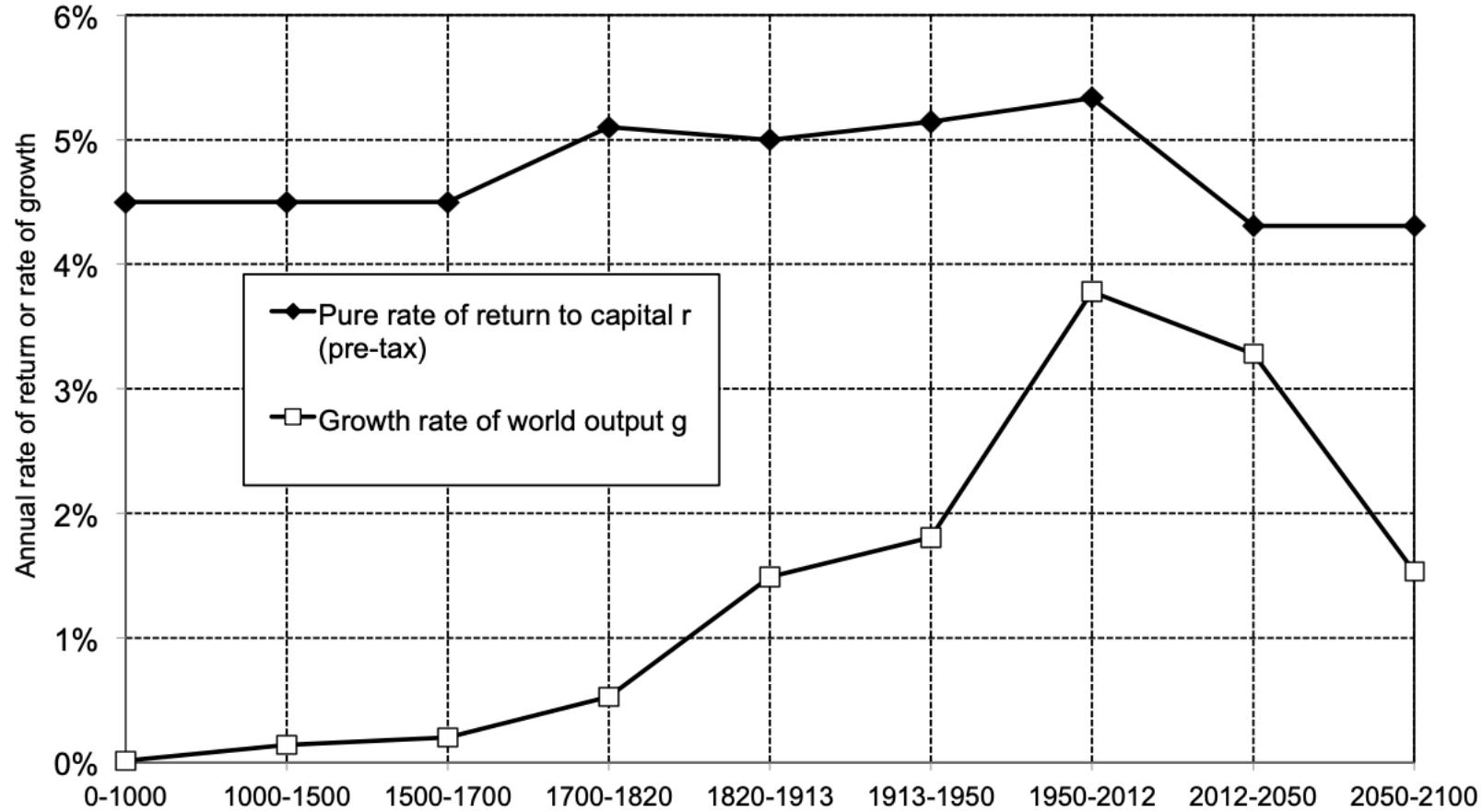
Return to capital and growth: France 1820-1913



The rate of return on capital is a lot higher than the growth rate in France between 1820 and 1913.

Sources and series: see piketty.pse.ens.fr/capital21c.

Rate of return vs. growth rate at the world level, from Antiquity until 2100



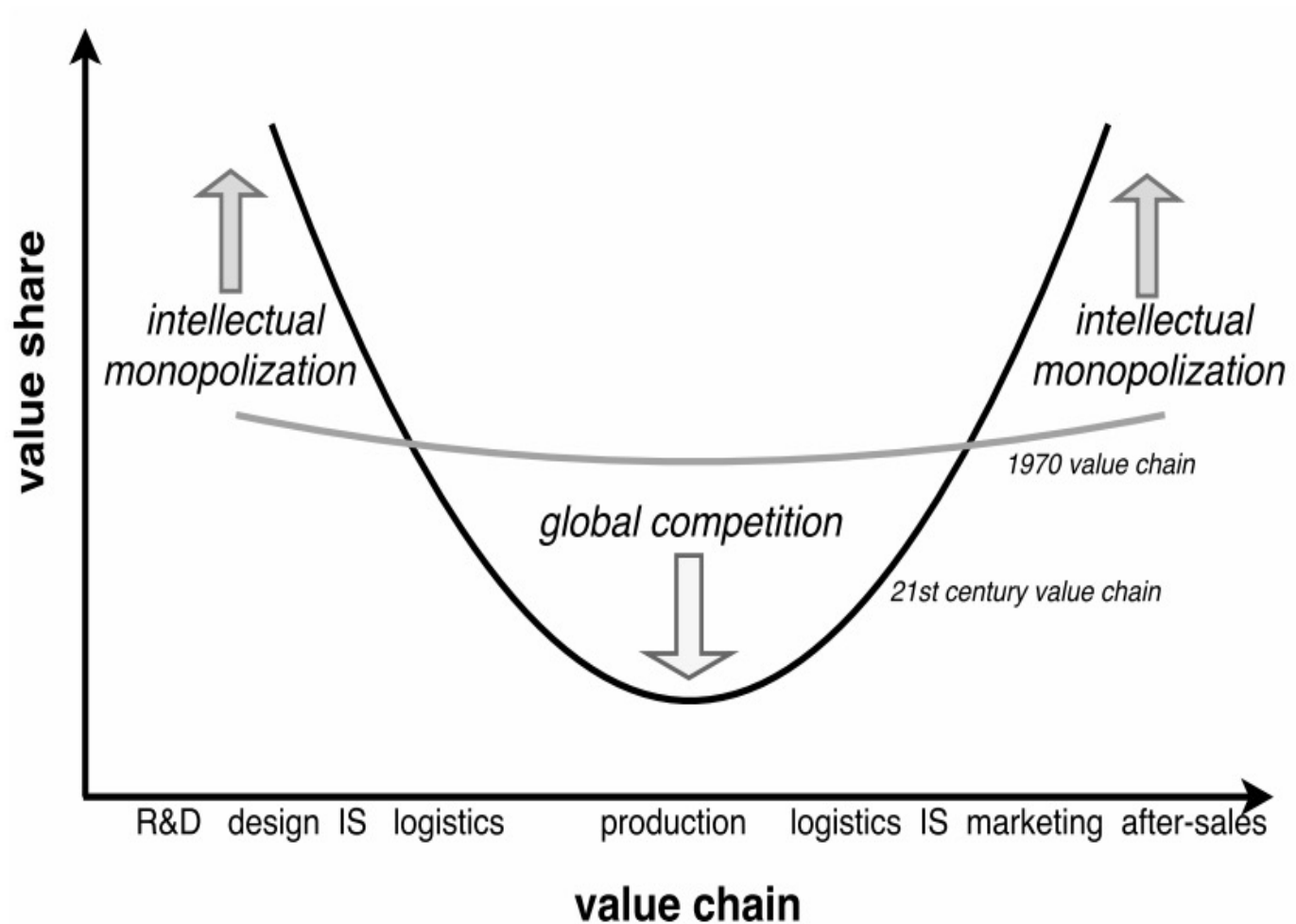
The rate of return to capital (pre-tax) has always been higher than the world growth rate, but the gap was reduced during the 20th century, and might widen again in the 21st century.

Sources and series: see piketty.pse.ens.fr/capital21c

✓ **6.2**

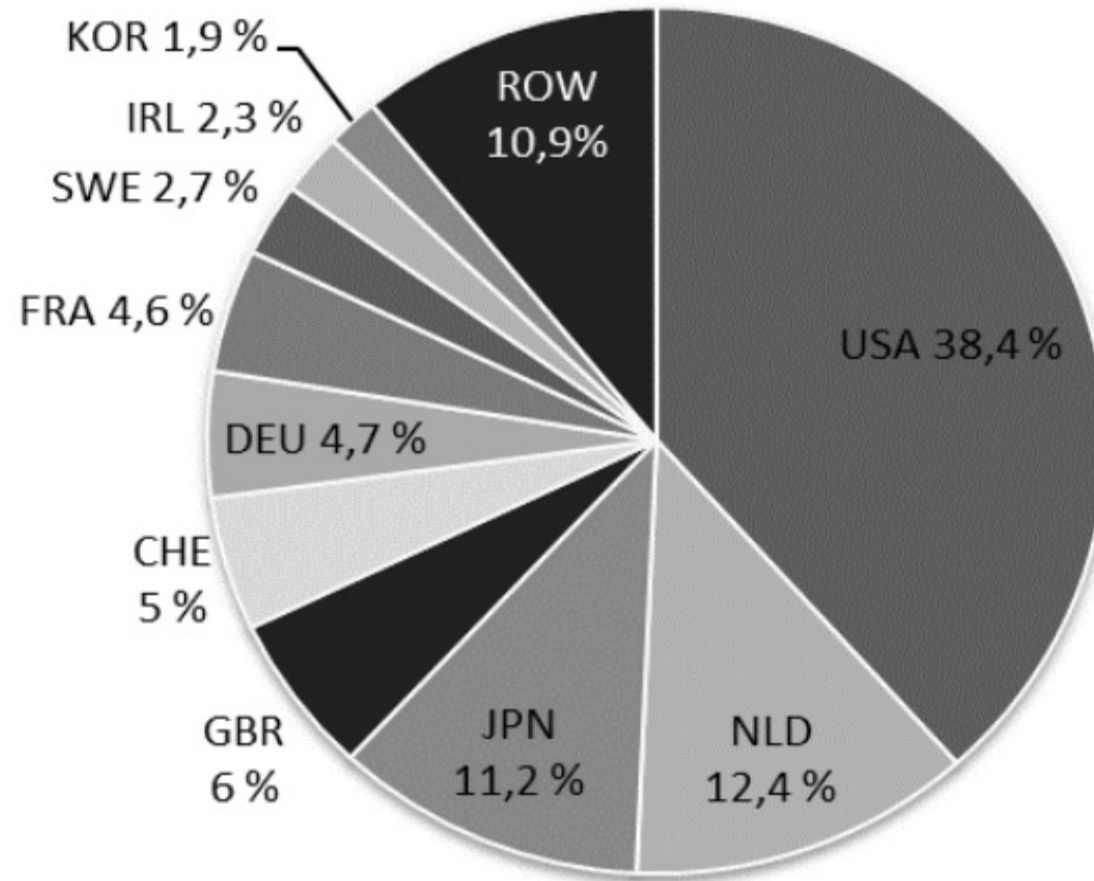
Monopoly of IP

Monopoly of IP: *smile curve* 1970s vs. 21st century



Source: Cédric Durand, William Milberg. Intellectual Monopoly in Global Value Chains. 2018.

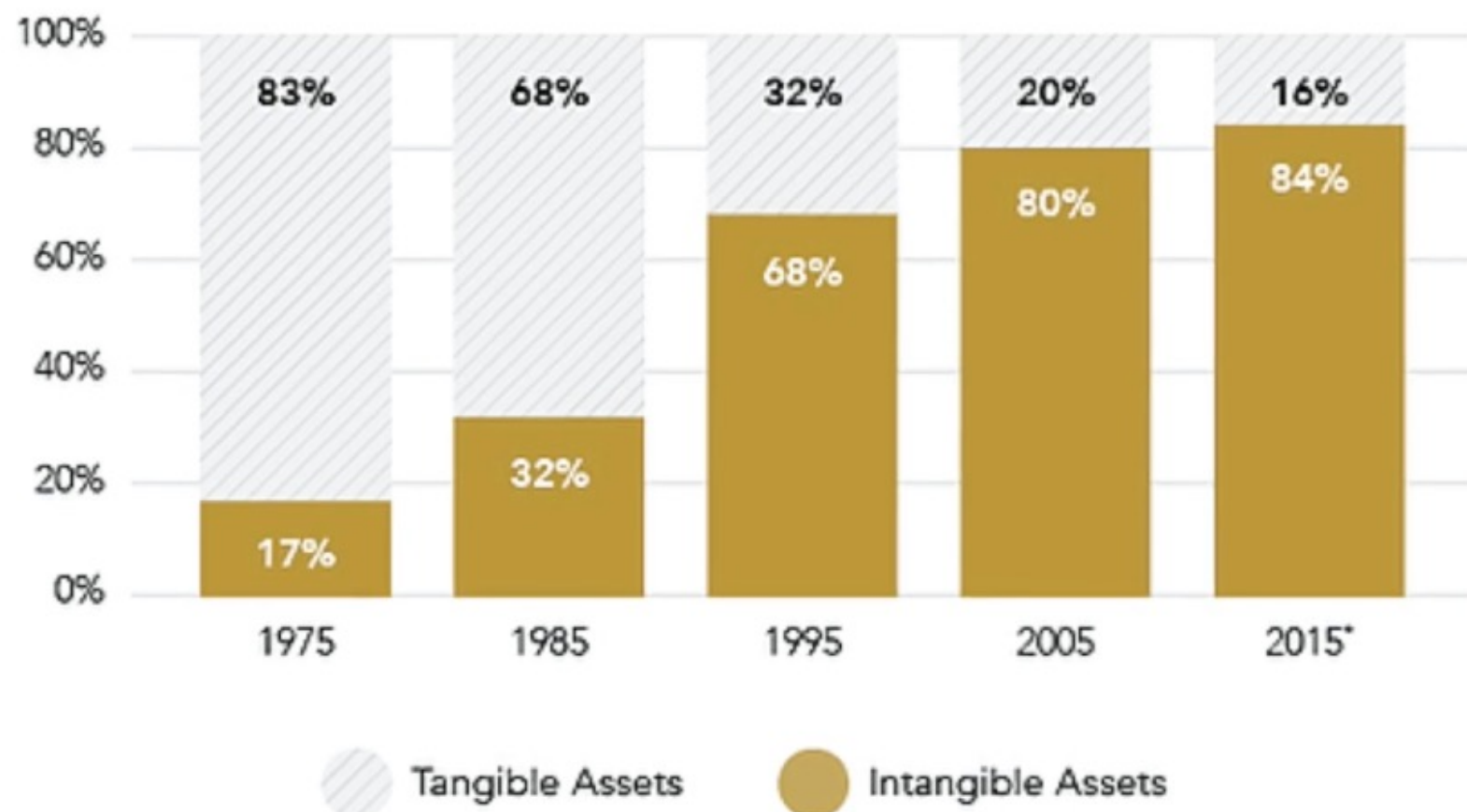
Monopoly of profits: share of main receiving countries in total receipts for the use of IP (2015)



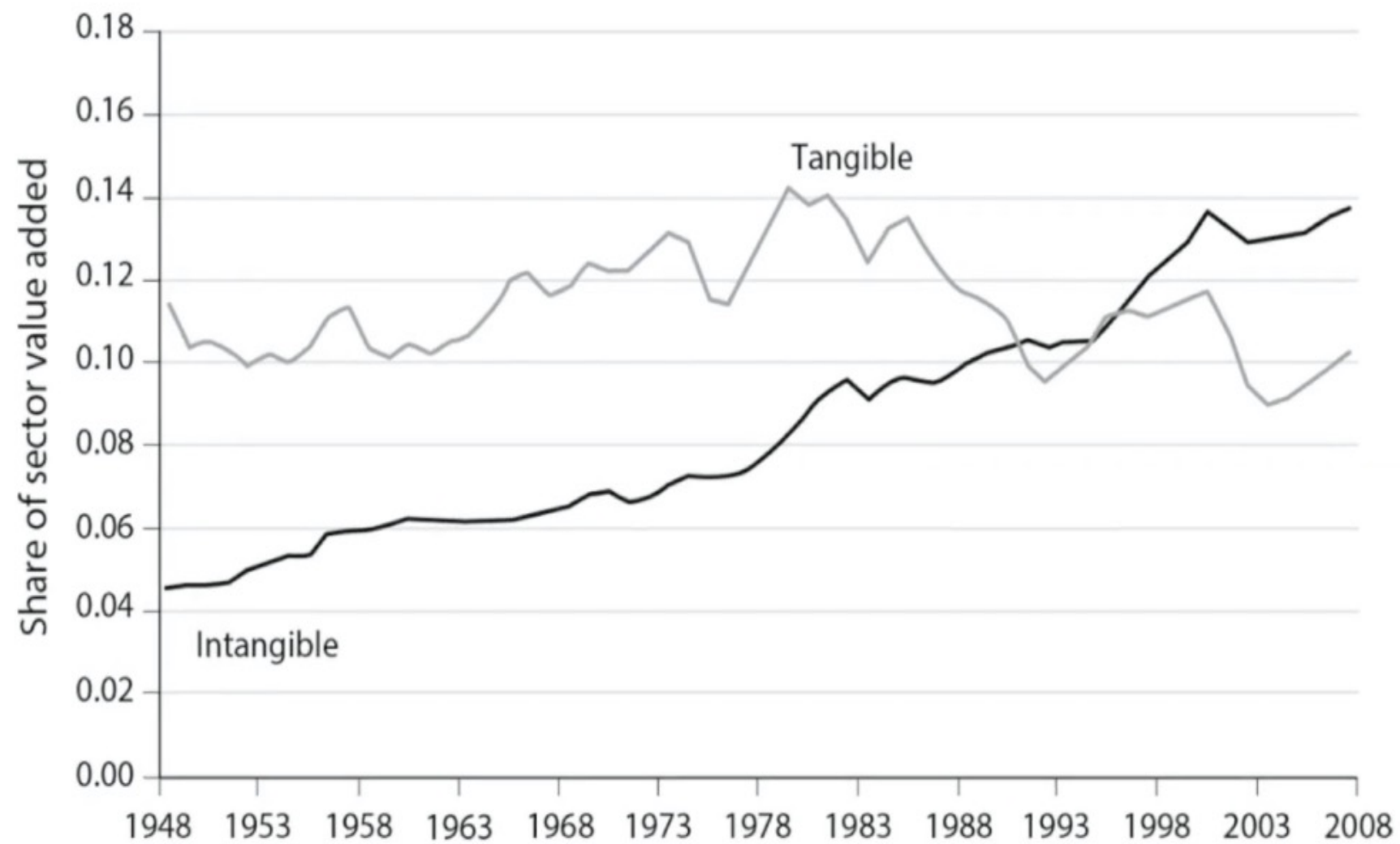
Author's computation using World Bank WDI

Source: Cédric Durand, William Milberg. Intellectual Monopoly in Global Value Chains. 2018.

COMPONENTS *of* S&P 500 MARKET VALUE



SOURCE: OCEAN TOMO, LLC
*JANUARY 1, 2015



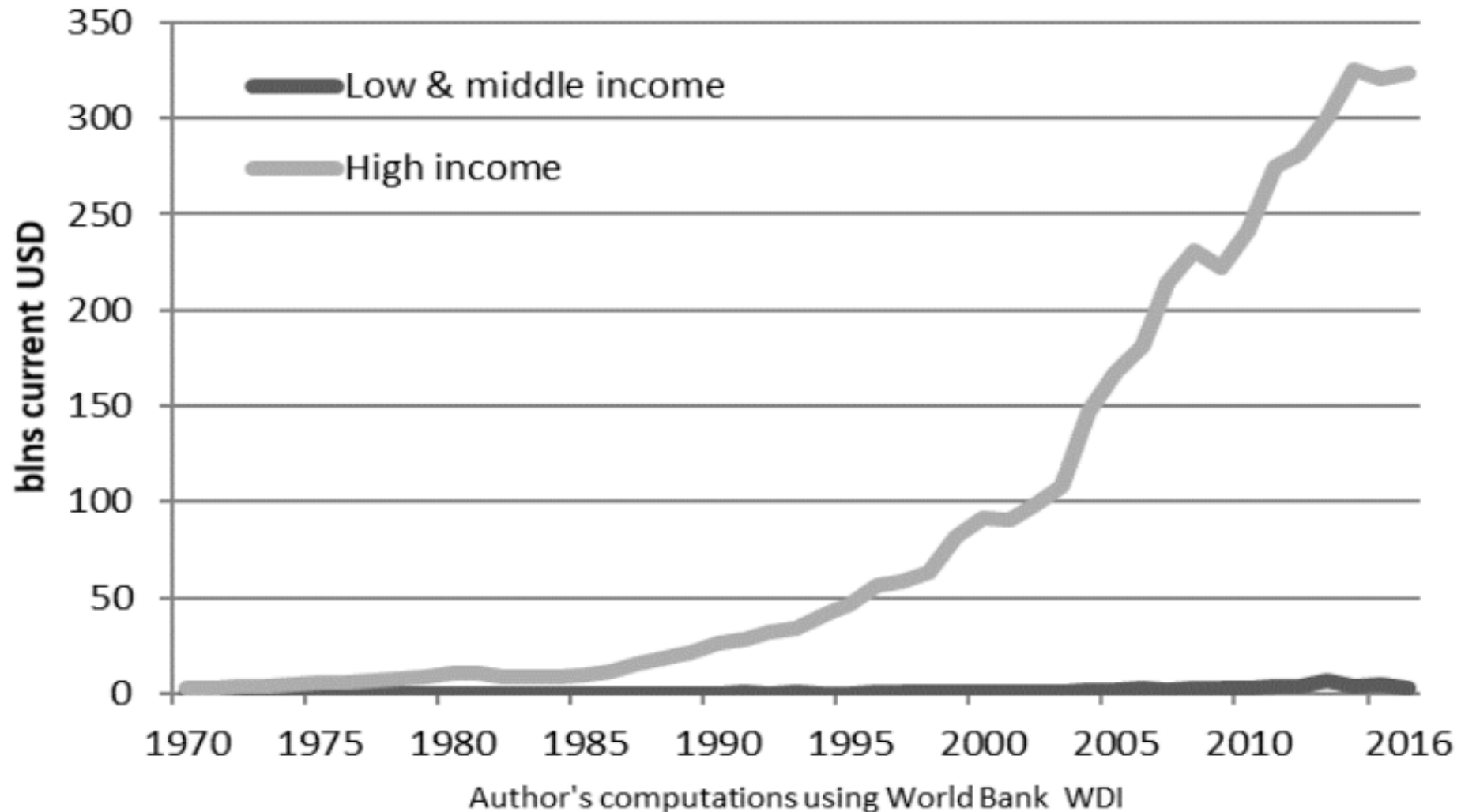
Concentration of profits

Share of surplus profits in total profits, 1995–2015
(Percentage)



Source: [UN Conference on Trade and Development](#), 2017 (Chapter VI: “Revenge of the Rentiers”)

Monopoly of profits: high-income and low-&-middle-income countries receipts from the use of intellectual property (1970-2016)



Source: Cédric Durand, William Milberg. Intellectual Monopoly in Global Value Chains. 2018.



6.3

Digitalization

Industrial revolutions

Mechanical

➡ Electrical

➡ Information

➡ Intelligence

Digitalization: supply side monopoly

Absolute advantage

Supply
side
taking
all

Capital

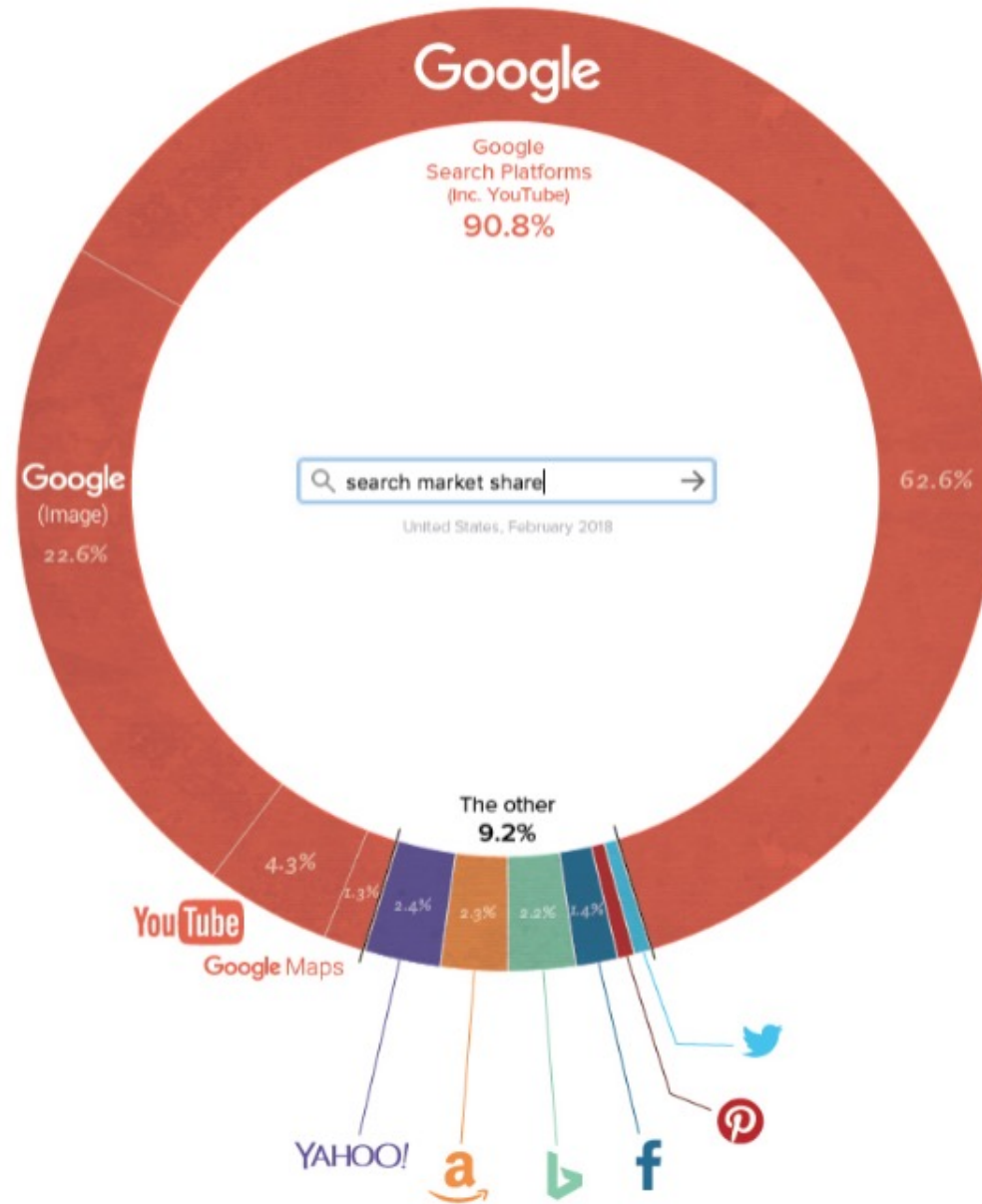
Technology

Data

Profits

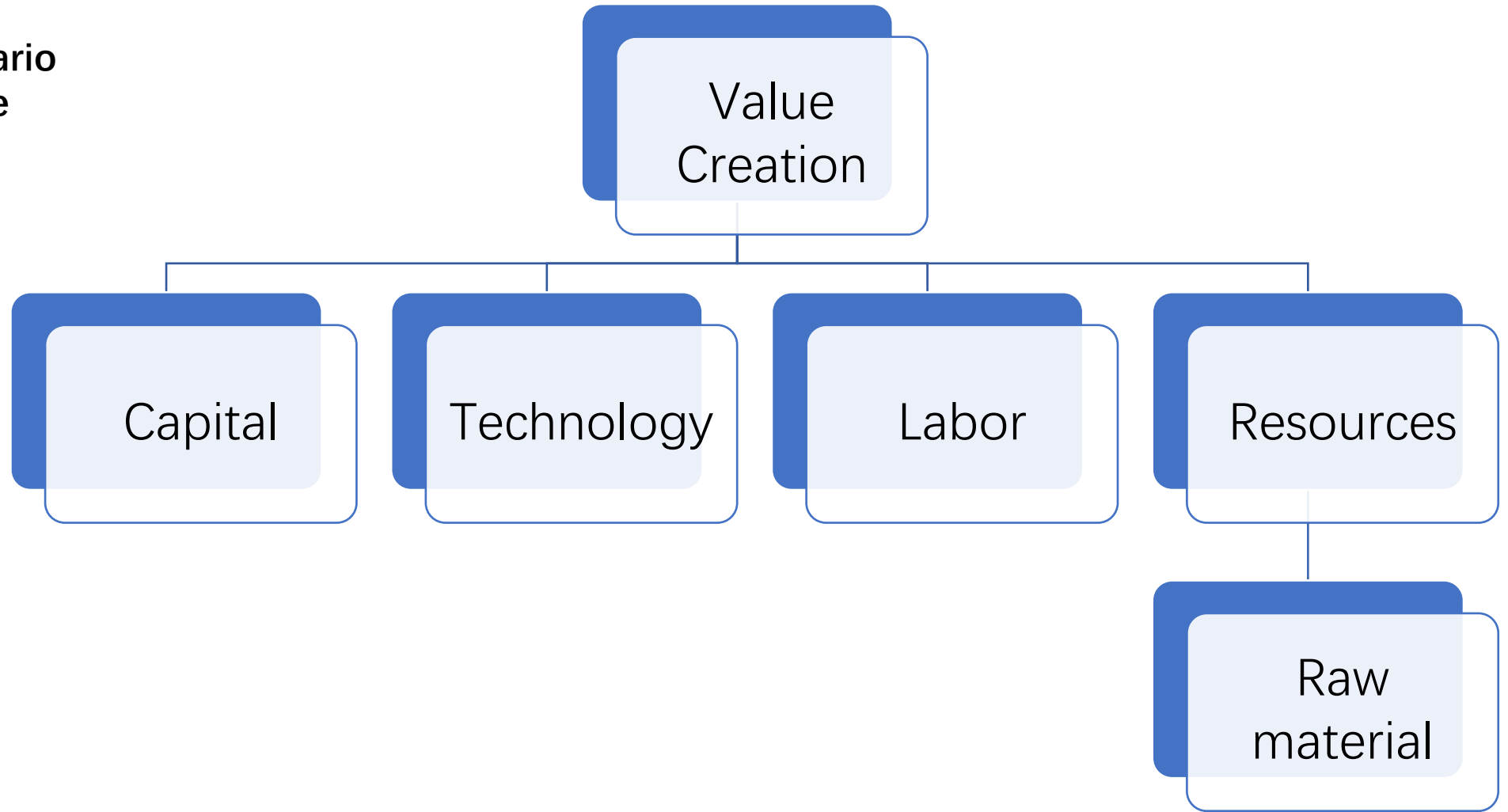
Data monopoly

How people find what they're looking for



Source: visualcapitalist.com

Normal scenario
Industrial age



Digital scenario
Digital age

$$\textit{Value} = \textit{Capital} + \textit{Data} + \textit{Algorithm}$$

Digital colonialism

- The datafication of society not only brings about another iteration of capitalism, but also a new form of colonialism. The emergence of a new data colonialism, based on the appropriation of human life through data, will pave the way for a new capitalism.
- Dataism (Yuval): determination by algorithm

✓ ***6.4***

Synergy

Synergy: integrated global value chain (GVC)

Globalisation has resulted in a shift from country-specific operating models to global models based on matrix management organisations and integrated supply chains that centralise plural functions at a regional or global level.

Synergy: cost, scale, output.... $1 + 1 > 2$

$$\textbf{\textit{Synergy}} = \textbf{\textit{NPV (Net Present Value)}} + \textbf{\textit{P (premium)}}$$

Synergy benefits can come from at least four potential sources:

Revenue increase

Expenses reduction

Process optimization

Financial economy

ABILITY OF SOURCE STATE TO TAX PROFITS: SOURCE-BASED INCOME TAX

Rent \ Co	A: 100% digital	B: 50% digital	C: 0% digital
Synergy	No	No	No	
IP	No	No	No	
Data	No	limited	some	
Local business	No physical presence	PE	Sub	
Ability to tax	No	Limited	More than B	

Author's

Challenges

- Digitalization: Physical presence unnecessary, tangibility and visibility disappear, vicinity lost
- Globalization
 - Synergy and Synchronization of value chain which renders separate accounting principle, separate entity principle and ALP variant with real economy
 - Monopoly of intangibles
 - Uneven distribution of profits
 - Relevant poverty
 - Competition and race to bottom, which renders harm to fair competition, policy neutrality and public financing

Residual Profit VS Trade

- China manufacturing: $\frac{1}{4}$ automobile, $\frac{1}{4}$ lap top, $\frac{3}{4}$ mobile 。
- In 2009, China ranked the 1st as an exporter; in 2011, the 2nd largest importer; in 2012, replaced US as the biggest world trader. So far China is the biggest trader with 130 countries.
- RP proportion (CN): 4-5%
- RP proportion (US): 50-70%
- CN wins by production efficiency
- US wins by science and technology (intangible)

Part IV

CONCLUSIONS

The political economy of RP uneven distribution

- Globalization pulls down state boundary
- Digitalization pulls down cultural and anthropological boundary
- Economy follows logic of capital for RP, being relatively dispensable from politics
- Capital has its logic that does not follow the call of politics. It follows its economic rationality, i.e., to unremittent pursuit of RP ending with monopoly.
- Taxation is a political device, a deontic power, a collective intentionality and finally an eminent instrument to balance the power of capital.
-

The old world is dying,
the new world struggles to be born...

- Antonio Gramsci

Thanks