INTERNATIONAL TAX NEXUS: NEW CHALLENGES IN THE ERA OF THE DIGITALIZED ECONOMY

Tax nexus determines whether a country has the jurisdiction to tax. Over the past decades, countries have expanded the personal and objective nexus for tax purposes, including on anti-tax avoidance grounds. The global business models of the digitalized economy challenge the validity of the concepts and criteria that determine the tax nexus, questioning a possible need for their reconsideration. Several States are exercising their source-based tax jurisdiction on business income regardless of the existence of a permanent establishment on their territory. The analysis of such cases constitutes the starting point to test whether the permanent establishment concept still constitutes a reliable proxy for source-based taxation of business income. After addressing the multiple facets of this topic for taxation of business income, the focus will be shifted on taxes levied on services connected with the digital economy and on their implications for tax treaties, in order to make a comprehensive reconstruction of the current boundaries and expected developments on the international tax nexus.

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