

TARIFF REVENUES FORGONE

- There is fiscal revenue forgone on goods tariffs – not just from digitalisation, but also from services and investments, or from technology overall.
- But a new external tariff also leads to measurable increases in domestic prices.
 - Digitally-delivered content (software, music, films), business services (storage, hosting, processing); e-commerce and intermediation services (retail, search, publishing, advertising).
 - No forced localization or denial of service – or change in innovation.
- Impact – slower economic activities, loss of consumption
 - From marginally higher consumer prices (welfare loss from lower consumption)
 - Business inputs (lower turnover and lower employment).
- Revenue at the border or in the market?

A COMPARISON

- Example of India^{*}
 - UNCTAD tariff estimates – \$39 million or \$174~497 million
- Generates losses of
 - Sectoral output – \$ 716 million (0.03%)
 - Employment loss – 433 000 full time employees equiv. (0.08%)
 - Lost welfare – \$ 770 million
 - Internal tax revenues lost – approx. \$200-340 million^{**}

QUESTIONS

- What should be the baseline – uninventing the internet?
 - Not all printed matter (incl. colouring books, postcards), memory circuits, optical-mechanical media or NAMA can be digitised.
 - Not all digitizable products and services are replacements of existing goods, or traded.
- Extrapolation of future fiscal revenue loss based on today's (or yesterday's) prices?
 - Windows 95 cost 3 times more than Windows 10 in today's prices. CD cost 2.6 times more than iTunes downloads. Streaming is 'free', i.e. advertising-paid.
 - Competing office productivity suites are freeware/online services.
- Trajectory of 3D printing
 - Still limitations in 20 years.
 - Data and printers are a fixed 'cost'. Inputs ('ink') is a variable costs that must be produced and traded
 - Bigger impact on domestic taxes rather than tariffs.

QUESTIONS

- Tax policy and trade
 - Internet increase tax base by moving the grey economy into the regular, taxed economy
 - Trend towards corporate income taxes and sales taxes. Are countries still depending on fiscal revenue in 20 years?
 - WTO will duplicate work with BEPS
- Policy space
 - Are the digital services and products actually traded – or just subscribed, shared or experienced – and without actual cross-border transaction (transfer of ownership).
 - Every agreement in the WTO limits the policy space of the members
 - TRIPS NVC moratorium