

Lily Zechner, Institute of Tax and Fiscal Law

Digital business models create challenges for the current system of European value added tax (VAT). Businesses are able to provide services through internet platforms, but often do not pay the VAT due. This undermines taxation goals and compromises state revenue, because VAT constitutes an important part of many states' income. Lily Zechner is an early career researcher at the Institute of Tax and Fiscal Law at the University of Graz, and a Research Fellow at University College London's Centre for Blockchain Technologies. In her doctoral thesis, she is researching the position of internet platforms in European tax law and examining whether and how Austrian and European legislators could respond to these developments and counteract weaknesses in the current system.

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Another question with an eye to the future:

Does the internet compromise state revenue?

WHY ARE YOU INTERESTED IN THIS AREA OF RESEARCH?

Digital business models have become a crucial part of the economy and our everyday lives. However, our tax legislation predates the internet era. To uphold the general principle of fair taxation, tax authorities must have a legal basis that is compatible with the new business models. Moreover, applicable legal norms must be enforceable.

WHY IS YOUR WORK RELEVANT FOR SOCIETY?

The internet allows a wide variety of cross-border digital business models. The international community needs to find ways to tax these transactions effectively, in order to maintain fairness in the tax system and prevent loopholes from depriving states of large parts of their tax revenues in the long term.

WHY HAS ACADEMIC WORK BECOME YOUR PASSION?

Working in academia offers ways of addressing relevant questions for society and finding answers, which can make a difference. Academic research is both demanding and fascinating at the same time.

IN WHAT WAY DO YOU BENEFIT FROM THE UNIVERSITY OF GRAZ?

As an early career researcher, I appreciate the creative and inspiring environment, the intensive level of teamwork and the interdisciplinary approach taken by the Institute, as well as the collaboration with international partners. Moreover, the excellent infrastructure at the University of Graz offers great support.

KEY FINDING

Current European VAT law is projected to be able to capture many of the new business models. Furthermore, tax enforcement relies heavily on businesses acting as intermediaries between taxpayers and the government. In the context of the digital economy, internet platforms could be obliged to disclose information about services provided via the platform. In the case of "distributed" internet platforms, such as blockchains, the responsible entity remains to be identified. To this end, cross-border cooperation amongst tax authorities is essential.

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