



سازمان امور مالیاتی کشور
Iranian National Tax Administration



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Association of Tax Authorities of Islamic Countries
اتحاد السلطات الضريبية للبلاد الإسلامية

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Taxation of Digital Businesses in Iran

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Introduction

Significant developments in information and communication technology have influenced various dimensions of life including economic interactions

Newly created phrases:

- **E-Business**
- **E-Commerce**
- **M-Commerce**

Introduction

Global Statistics

- **Globally fast growth in e-commerce**
 - **E-commerce globally increased 21% during 2014 in comparison with 2013 and reached to 839.8 billion \$. Regarding annually 10% increase, it was expected to increase to 1.506 billion \$ in 2018, but it was about 1.915 \$ in 2016.**

- **The Spread of e-sell in Europe**
 - **During 2008 13% of firms had e-sell in EU. This ratio reached to 20% in 2015, it means from 5 firm, one has had e-sell**

Introduction

The necessity for paying specific attention to e-business taxation:

In the past, when e-commerce emerged for the first time, taxation of such activities could some risks for newly established businesses, but it was not economical since collected tax would not justified the administrative collection costs.

- ✓ Taxation of e-business is inevitable because of rapid changes, unbelievable expansion of e-business and earned income during resent years
- ✓ The use of communicational tools have increased mainly due to it's attraction for business owners and in some activities it has been considered as a substitution for traditional businesses. As a result, the long term neglect of e-commerce taxation will decrease tax revenues.
- ✓ Moreover, taxation of e-commerce is necessary in order to prevent discrimination between traditional and electronically businesses

Introduction

Main problem:

Determining tax able activities, taxpayer identification, the assessing of e-business income

To explain the issues and provide the solutions, The following subjects are reviewed:

- Familiarity with business in cyber space and prevalent models
- The challenges of e-business taxation
- E-business in Iran
- Practices

Familiarity With Business in Cyber space

The definition of e-business in Iran's laws and regulations is as follow:

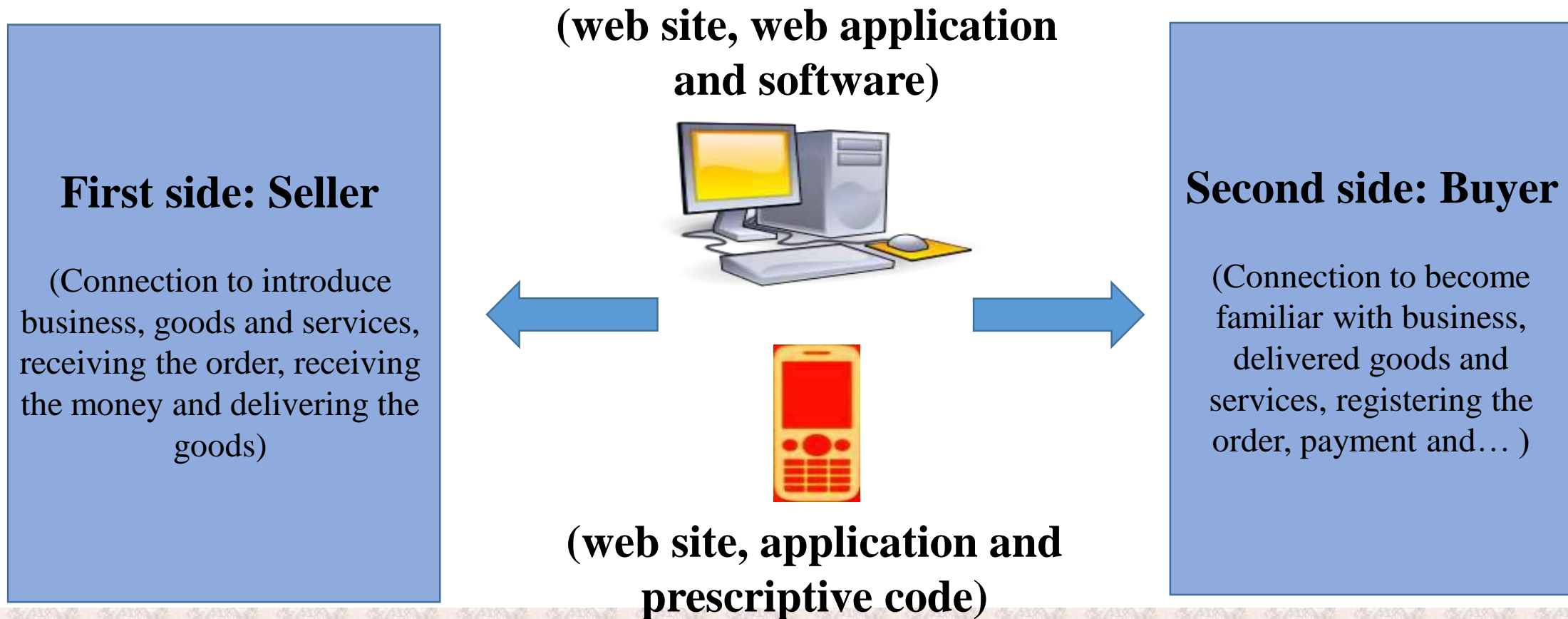
According to the law E-business defines as follow:

A Guild unit which has established by individual or legal entity to deliver (goods and services) directly or indirectly from distance as retail or wholesale to wholesaler, retailer and customer through communication devices such as web site, commercial software applications.

E-business is not a new tax base which needs to legal permission. In fact individual and legal entities establish businesses and earn income electronically, so they are subject to tax like other businesses

Familiarity With Business in Cyber space

The role of communication tools in e-business



Familiarity With Business in Cyber space

The application level of communication tools in a business



**Introducing business and products in
cyber environment**

**Introducing business and products, order registration
and delivery in cyber environment**

**Introducing business and products, order registration, money transfer and goods
and services delivery in cyber environment**

Types of Model, Incomes and the Ways of Goods and Money Transfers in E-business in Iran

The main operations of e-business can be define as one of the following forms:

- 1. Direct sales of goods and services (Digikala, media content provider...)**
- 2. Intermediary for the sale of others goods and services (snap)**
- 3. Facilitator for the sale of others goods and services (shaypoor)**

Facilitator businesses just introduce sellers and buyers to each other and they don't have any other roles in transaction, but intermediary businesses undertake other affairs including goods and services transfer and required guarantee.

Types, Incomes and Goods and Services Transfer in E-business in Iran

Types of income in electronically business

Other incomes	Main incomes
<p>Income derived from businesses which provide software and hardware facilitator to establish e-businesses such as host services, web site designing, domain registration, bandwidth,...</p>	<ol style="list-style-type: none"> 1. Income derived from the sale of goods and services 2. Income derived from propaganda 3. Income derived from membership right such as electronic publishers membership 4. transactional income such as broker fees per realized transaction 5. Relational income (receiving fee for referring to other sites) 6. Income from information sales such as selling search engines users information with commercial and marketing goals by considering their privacy 7. Income derived from the sales of accounts, domains, channels and so on

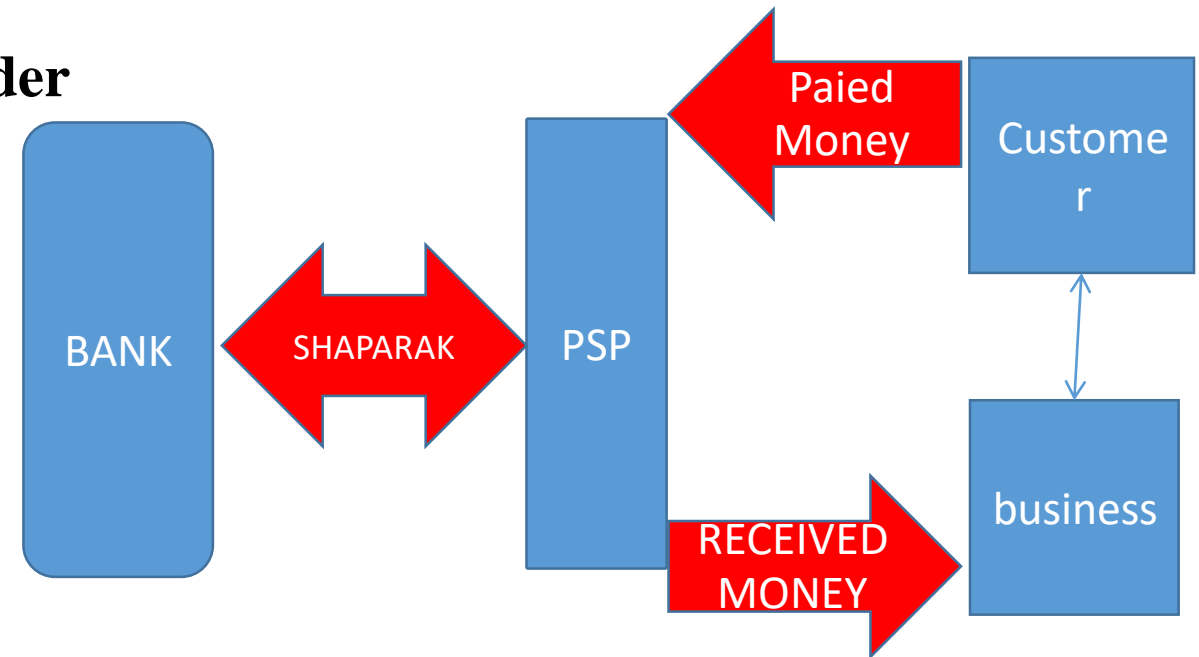
Types of Models, Incomes and Money and Goods Transfers Method in E-business in Iran

Payments Method in E-businesses

A. Payments Through Payment Service Provider

By:

1. Internet Payment Gateway(IPG)
2. Point of Sale(POS)
3. Mobile Payment Gateway(MPG)



B. The other methods:

ATM, cash payment, payment through the banks and payments through concentrators

Types of Models, Incomes and Money and Goods Transfers Method in E-business in Iran

The methods of goods and service delivery in E-businesses

- ✓ Sending digital goods through cyber environment (such as email,...)
- ✓ Sending physical goods through mail
- ✓ Sending physical goods by postal intermediary and by the use of other transportation provider services
- ✓ Setting up a sender unit by e-business

Challenges of E-business Taxation

- 1. Identification:** taxpayer identification is difficult due to: lack of real entity, paper omission, electronic money, trading without receipt ,electronically transfer of the goods (digital goods), non geographical boundaries,... . Regarding to tax evasion, the importance of taxpayer identification has increased.
- 2. Income assessment:** the existed methods- for property valuation, determining market and activities expanse, revenue estimation, information gathering and investigations- are not adequately (regarding to department's facilities) accountable any more.
- 3. Determining taxability:** which of the following can be considered as main residence or activities site: the server establishment place, the controlling place of web site, the place of bank account, digital goods production place,... . However, in addition to internationally activities of the business, the challenges are complicated in Iran because of tax exemption regions (such as free zones) and determining local taxability of the business.

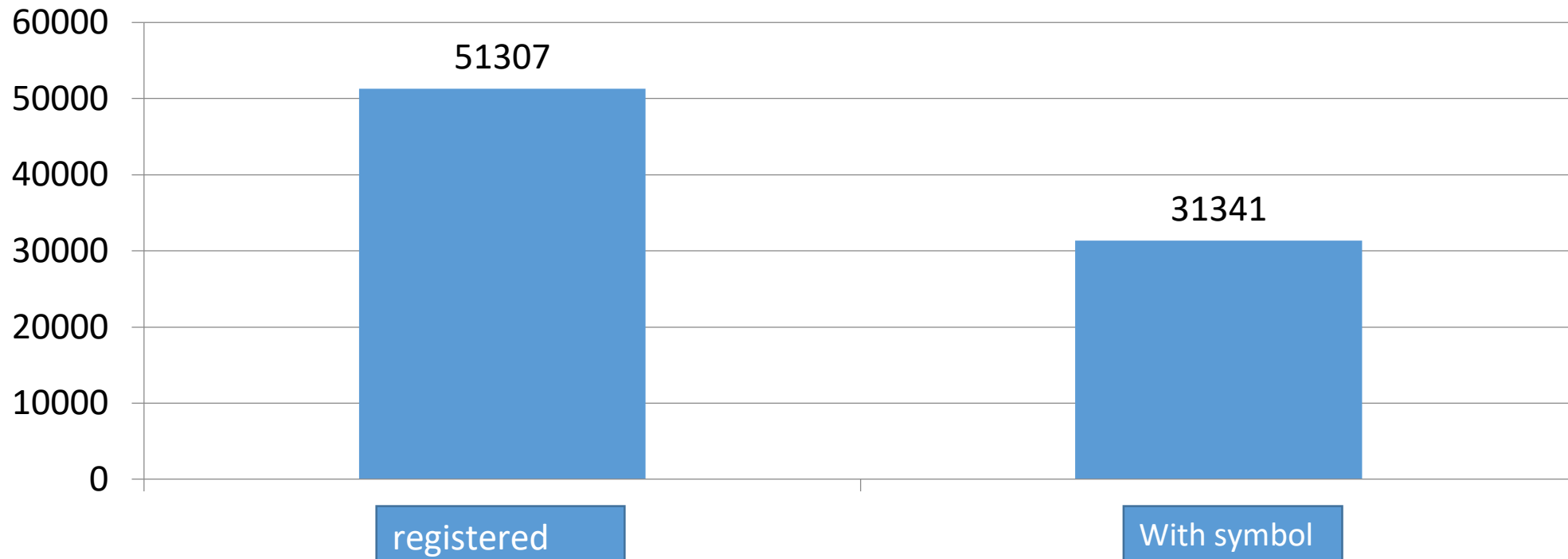
E-commerce in Iran

The number of Internet Payment Gateway, the number of interactions and amounts (2016)

The number of Internet Payment Gateway	The number of interactions	Amount (\$)
22,187	269,940,917	23,681,645,000

E-commerce in Iran

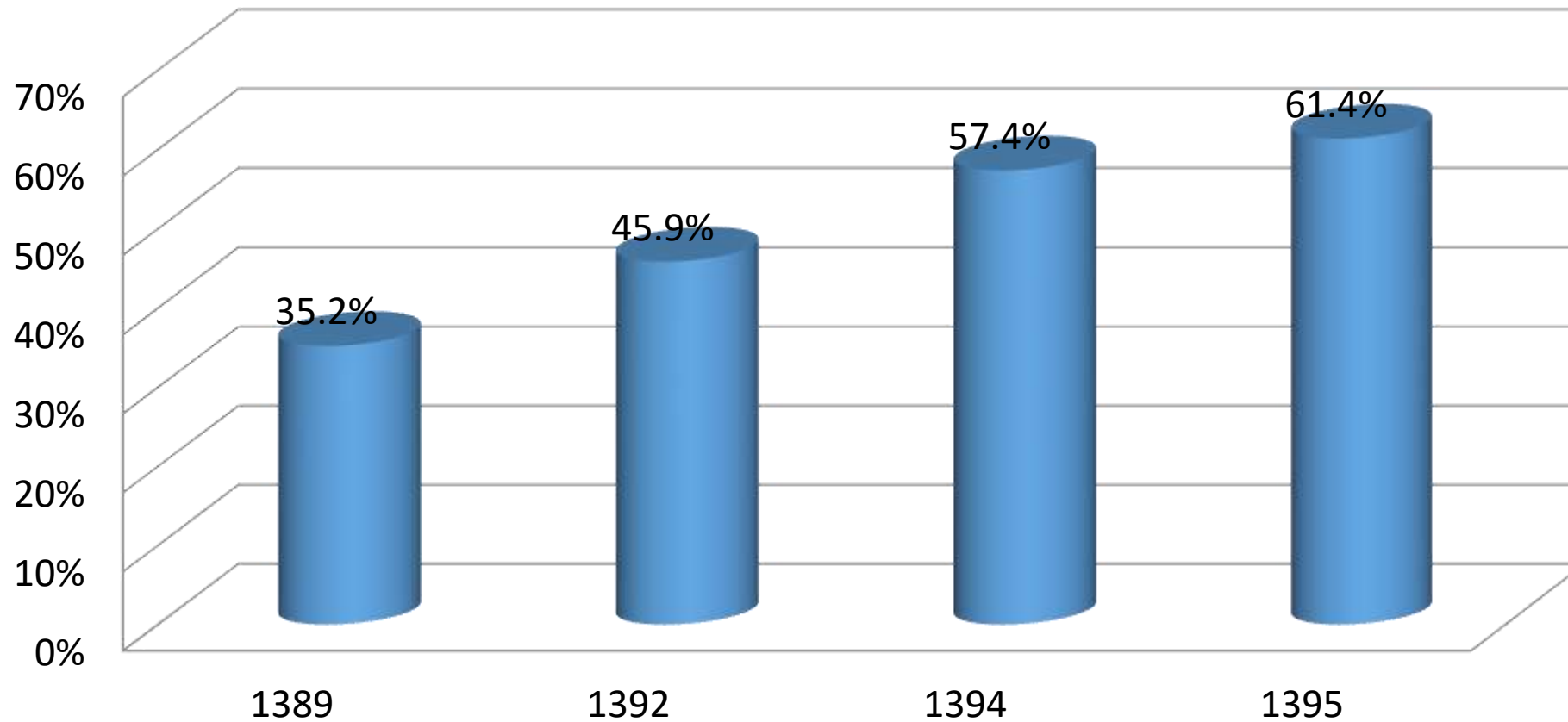
The number of e-business with Electronic Trust Symbol



This statistic just comprises under web site/application businesses not those active in social web.

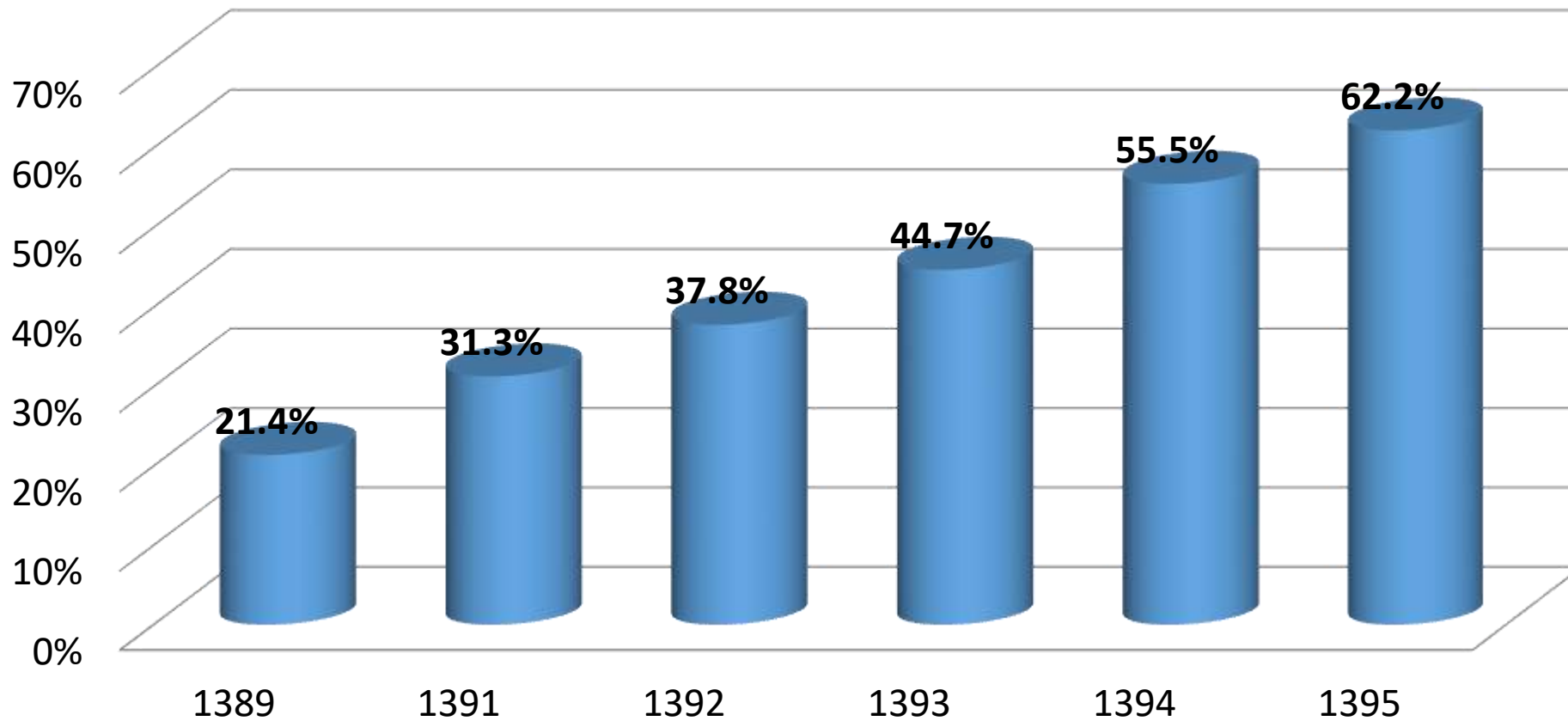
E-commerce in Iran

Households Computer Accessibility in Iran (%)

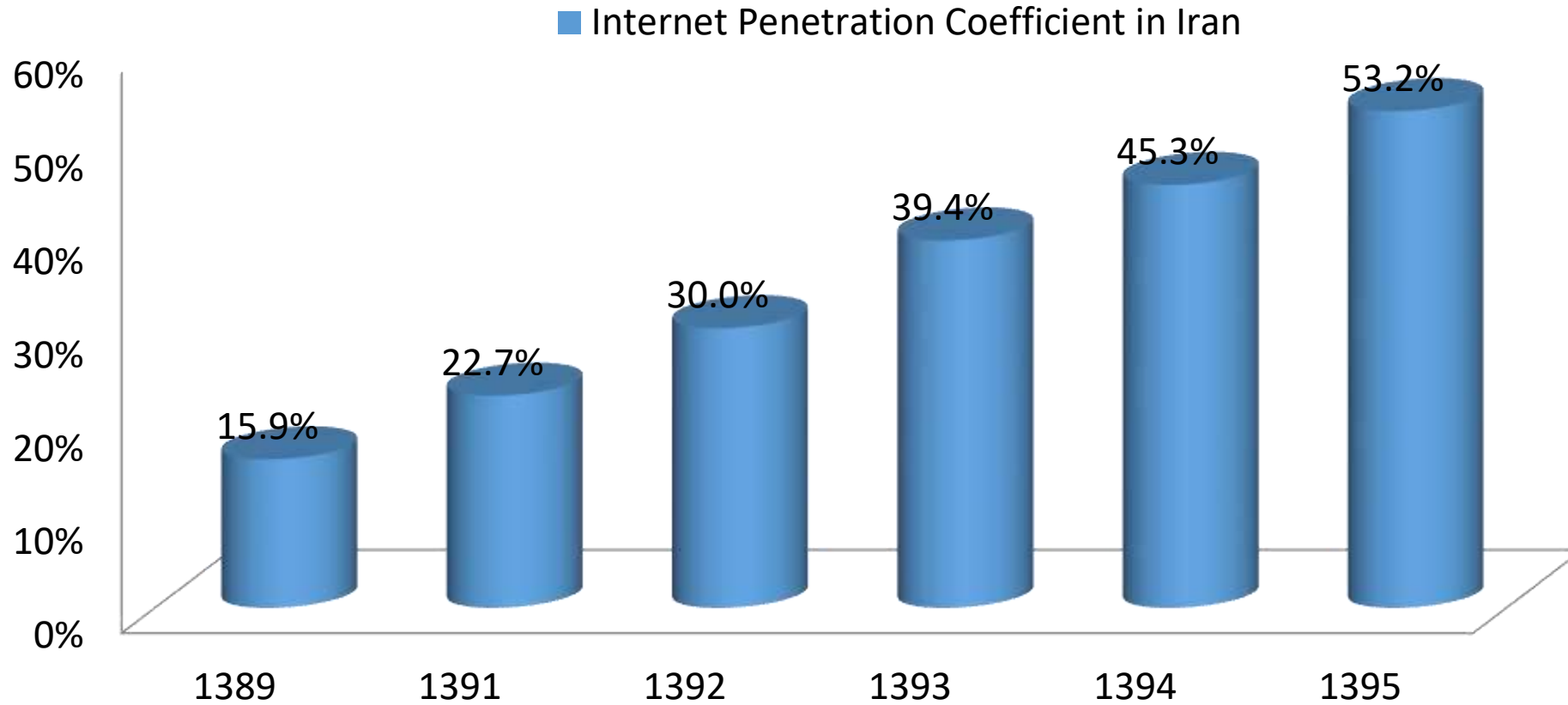


E-commerce in Iran

Households Internet Accessibility in Iran (%)

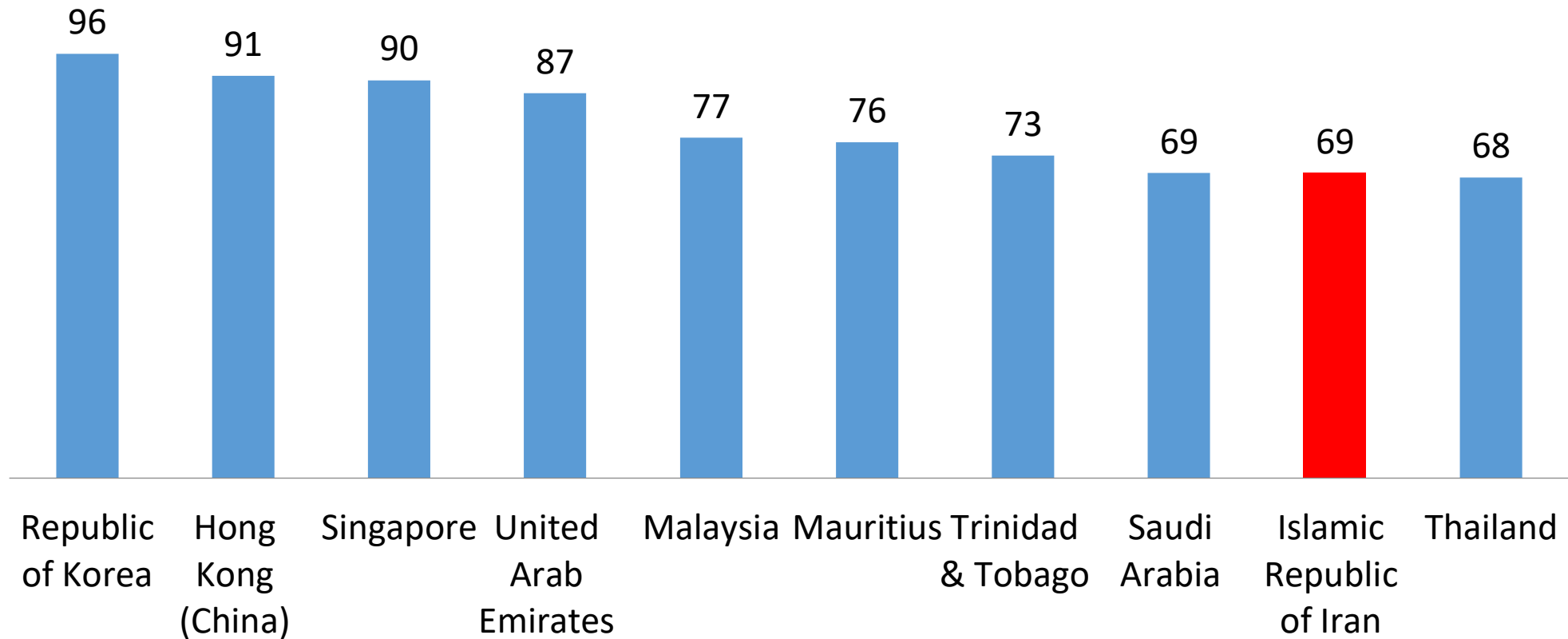


E-commerce in Iran



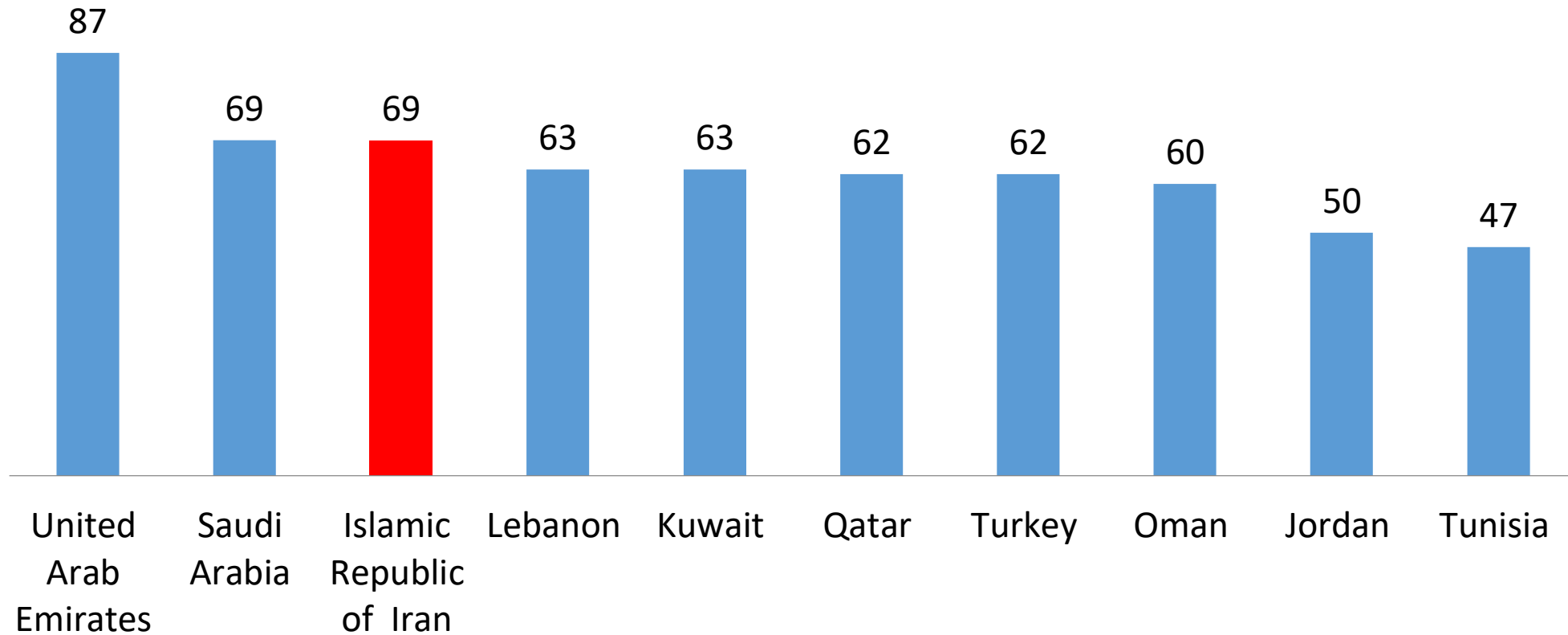
E-commerce in Iran

Top 10 developing economies in the UNCTAD B2C E-commerce Index, 2017



E-commerce in Iran

Top 10 developing and transition economies in the UNCTAD B2C E-commerce Index, 2017, by Region (West Asia and North Africa)



E-commerce in Iran

Laws and regulations dealing with e-business

1. Laws and regulations which deal with e-businesses are as follow:
 - Direct tax Acts
 - Value added tax laws
2. Other related laws
 - E-commerce policy of Islamic Republic of Iran
 - E-commerce Act approved 2003
 - Guild Union Act with amendments year2013
 - Directives to grant Electronic Trust Symbol
 - The Rules and directives of Central Bank to monitor Payment service provider

E-commerce in Iran

Organizations related to e-business

Other organizations

1. Ministry of Communication (width band)
2. The State Computerized Guilds Union Organization
3. Ministry of Culture and Islamic Guidance (monitoring special sites such as cultural and news sites)
4. The National Center of Cyber Space
5. The National Foundation of Computerized Game

Main organizations

1. The center of e-commerce development
2. Electronic license issuance centers
3. Payment service providers company (PSP)
4. Payments concentrators
5. Electronic card payment network (Shaparak)
6. Banks and credit institutions which are the member of Shaparak network
7. Guilds

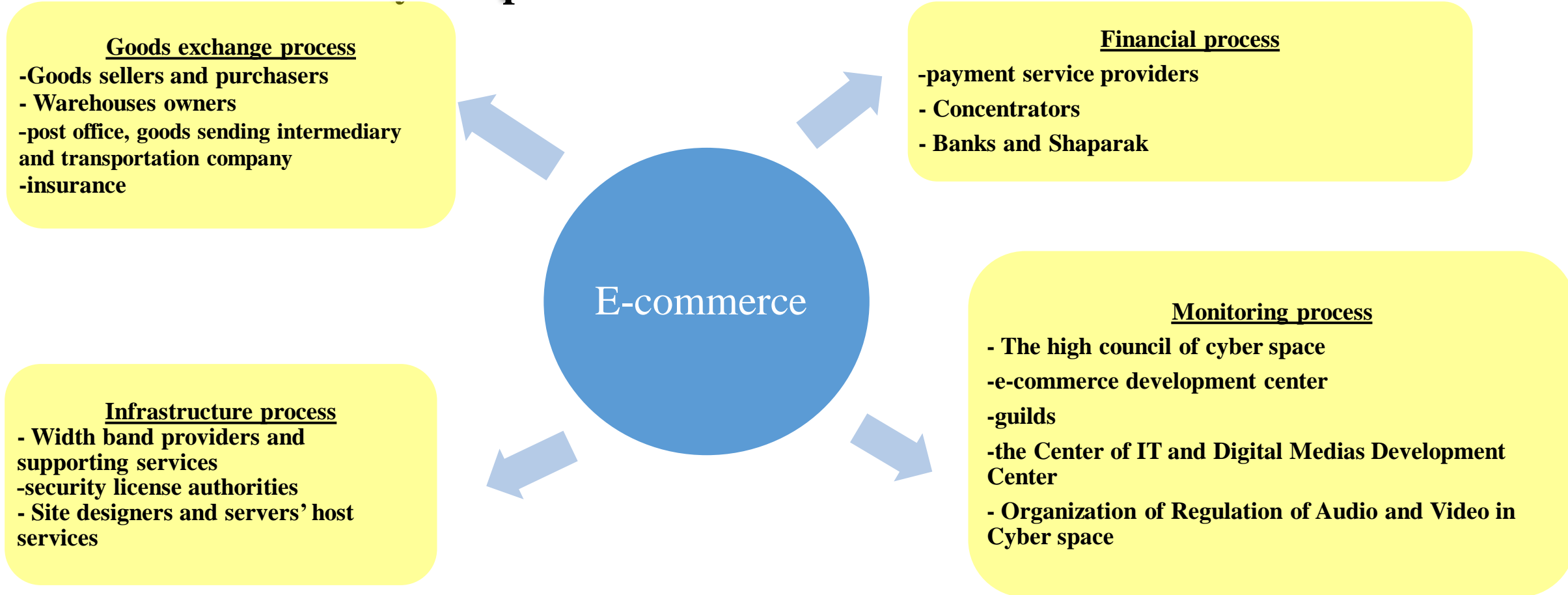
E-commerce in Iran

E-business implementation executive process

Specific case (E-business set up in social network)	General and specific process
<ul style="list-style-type: none"> ▪ Setting up businesses in simple cyber networks (no need to license) ▪ Virtual store by entering and making an account in social networks ▪ Business owner uses cyber space to introduce himself and related goods and services ▪ cash payment, credit card, bank transfer, on line payment service all are considered as usual payment processes ▪ E-commerce development center has plans to develop 	<p>General process</p> <p>Providing software, hardware and information security infrastructure</p> <p>Specific process</p> <p>A)*Organizing goods and services providing methods</p> <p>*Organizing goods and services delivery methods</p> <p>*Organizing payment methods independent of PSP</p> <p>B)*Organizing payment methods by PSP</p> <p>*Getting required license (such as electronic trust symbol, business license,...)</p>

E-commerce in Iran

Information centers in cyber spaces



E-commerce in Iran

Classifying identifiable e-businesses

Introducing business and products in cyber space, money and goods informally exchange


Introducing business and products, order registration and payment through safe and formal channels in cyber space

Introducing businesses and products, order registration, payment and delivery through formal ways in cyber space or post office

✓ By moving from the base to the top, taxpayer identification is more difficult, since the number of information registration and storage centers decrease.

Practices

tax administration's Programs and practices to overcome the challenges of e-business taxations



Improving inter-organizational procedures

- Improving procedures to effective use of four information center
- Developing new organizational structure
- Human resource training
- Providing required infrastructure to information access

Practices

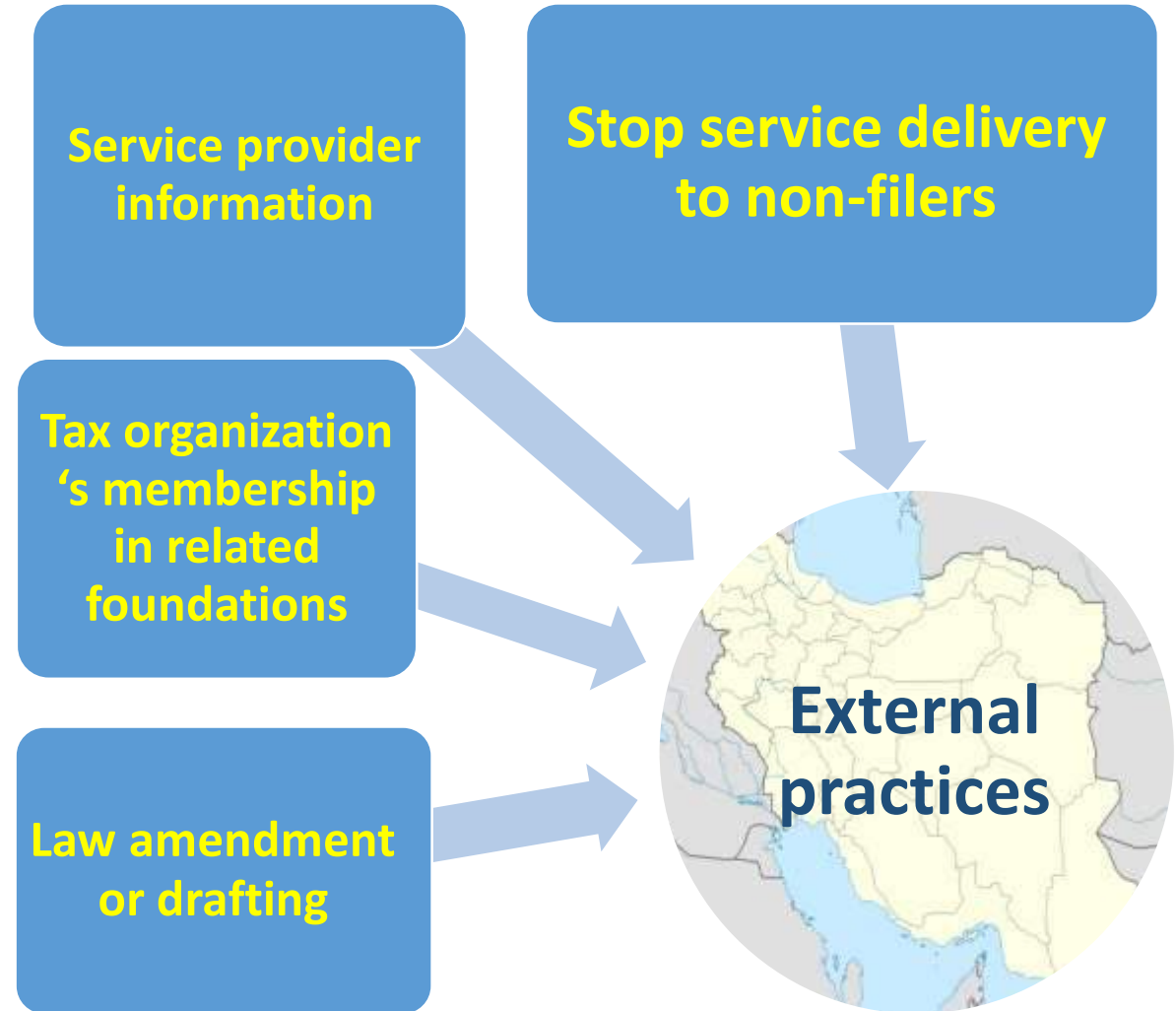
tax administration's programs and practices to overcome challenges of E-business taxation

- Stop service providing requirement to non-filer businesses
- To oblige infrastructural, financial and transporter service provider to submit tax organization required information
- The membership of tax organization in decision making and regulatory foundations
- Law amendment to determine main place of activity



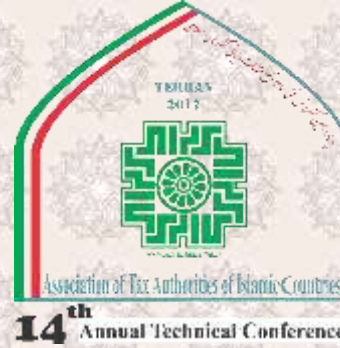
External practices

Practices





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