



TAX AND DIGITAL ECONOMY

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The digital economy creates many new economic opportunities. Digitalization is transforming value chains in different ways, and opening up new channels for value addition and broader structural change. But positive outcomes are far from automatic. Just because digitalization has the potential to support development, any value realized is unlikely to be equitably distributed. Digital data can be used for development purposes and for solving societal problems, including those related to the SDGs (Sustainable Development Goals). It can thus help improve economic and social outcomes, and be a force for innovation and productivity growth. Platforms facilitate transactions and networking as well as information exchange. **From a business perspective, the transformation of all sectors and markets through digitalization can foster the production of higher quality goods and services at reduced costs.**

The digital revolution has transformed our lives and societies with unprecedented speed and scale, especially for developing countries. Digital advances have generated enormous wealth in record time, but that wealth has been concentrated around a small number of individuals, companies and countries. Under current policies and regulations, this trajectory is likely to continue, further contributing to rising inequality. **New technologies, especially artificial intelligence, will inevitably lead to a major shift in the labour market, including the disappearance of jobs in some sectors and the creation of opportunities in others, on a massive scale.** The digital economy will require a range of new and different skills, a new generation of social protection policies, and a new relationship between work and leisure. We need a major investment in education, rooted not just in learning but in learning how to learn, and in providing lifelong access to learning opportunities for all. **The digital economy has also created new risks, from cybersecurity breaches to facilitating illegal economic activities and challenging concepts of privacy. Governments, civil society, academia, the scientific community and the technology industry must work together to find**

new solutions. The digital technology can advance peace, human rights and sustainable development for all.

Decision-makers face a moving target as they try to adopt sound policies relating to the digital economy. A smart embrace of new technologies, enhanced partnerships and greater intellectual leadership are needed to redefine digital development strategies and the future contours of globalization. The rapid spread of digital technologies is transforming many economic and social activities. While creating many new opportunities, widening digital divides threaten to leave developing countries, and especially least developed countries.

This topic is timely, as only a decade remains for achieving the sustainable development goals (SDGs). Digital disruptions have already led to the creation of enormous wealth in record time, but this is highly concentrated in a small number of countries, companies and individuals. Meanwhile, digitalization has also given rise to fundamental challenges for policymakers in countries at all levels of development. Harnessing its potential for the many, and not just the few, requires creative thinking and policy experimentation. And it calls for greater global cooperation to avoid widening the income gap. The digital economy's expansion is driven by digital data. It also depends on the policies adopted and implemented at national, regional and international levels. Impacts on value creation and capture can be considered across several economic dimensions (e.g. productivity, value added, employment, income and trade), for different actors (workers, micro, small and medium-sized enterprises (MSMEs), platforms and governments), and for different components of the digital economy (core, narrow and broad in scope).

Measuring value in the digital economy is difficult. Measuring the digital economy and related value creation and capture is fraught with difficulties. Firstly, there is no widely accepted definition of the digital economy. Secondly, reliable statistics on its key components and dimensions, especially in

developing countries, are lacking. Although several initiatives are under way to improve the situation, they remain insufficient, and are struggling to cope with the rapid pace of evolution of the digital economy.

The Digital economy continues to evolve at breakneck speed, driven by the ability to collect, use and analyse massive amounts of machine-readable information (digital data) about practically everything. These digital data arise from the digital footprints of personal, social and business activities taking place on various digital platforms. Global Internet Protocol (IP) traffic, a proxy for data flows, grew from about 100 gigabytes (GB) per day in 1992 to more than 45,000 GB per second in 2017 (figure). And yet the world is only in the early days of the data-driven economy; by 2022 global IP traffic is projected to reach 150,700 GB per second, fuelled by more and more people coming online for the first time and by the expansion of the Internet of Things (IoT).

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