**Maat for Peace’ submission on The International Financial Obligations, Digital Systems and Human Rights**

**Introduction**

Foreign debt and other international financial obligations have become essential features of contemporary global economic and political systems. No country worldwide is immune to the effects of debts and international financial obligations imposed by the ambitions of development, the rising economic growth rates and the influential roles played in regional and international politics, through engaging in international and regional organizations and conventions, which membership requires considerable fees and huge financial burdens. Needless to say, States' foreign debt and other relevant international financial obligations have a very serious impact on the enjoyment of all fundamental human rights, in particular the economic, social and cultural rights. Such debts and international financial obligations drive various states and governments to pursue austerity measures that would necessarily affect citizens' social protection programs, exacerbate poverty and negatively impact living standards. The same thing applies to digital systems which obtain a huge amount of the world's GDP. According to the latest statistics, the digital economy is worth $11.5 trillion globally, equivalent to 15.5 percent of global GDP and the impact of digital economy systems on human rights is evident in the new employment opportunities these systems can offer individuals. Digital payments can broaden the revenue base that can be used to promote human rights by reducing corruption, circumvention and tax evasion. In light of the foregoing, and in response to the call of the independent expert on external debt to States, international financial institutions, civil society organizations and networks, trade unions, United Nations agencies and entities, private actors, academia, think tanks and other stakeholders to submit written contributions to address the links between international financial obligations, digital systems and human rights, **Maat for Peace, Development and Human Rights** provides its contribution by responding to the questions of the questionnaire attached to the invitation as follows:

**What are the challenges facing the regulation of financial transactions in the digital economy at the national, regional, continental and international levels?**

Maat for Peace believes that there are a set of challenges to regulating financial transactions in the digital economy at the national, regional, continental and international levels. These challenges include but are not limited to controlling and harnessing digital data for the global good[[1]](#footnote-1); the misuse of individuals' digital data by states, non-state actors or the private sector; the threat to privacy; widespread cyber-crimes and cyberattacks targeting digital databases, which destroy financial systems and rob funds and deposits; in addition to the challenge of exacerbating digital and financial illiteracy; lack of confidence in electronic transactions such as payment through electronic means, which builds a barrier to wider and sustainable adoption of digital financial services, not to mention the challenge of poor digital financial infrastructure and the high cost of using technology and the Internet in many of the world's countries, particularly in developing ones.[[2]](#footnote-2)

**What is the nature, scope and purpose of the international consensus on taxing the digital economy that supports human rights?**

Maat for Peace believes that the international consensus to tax the digital economy that supports human rights is united in nature, scope and purpose to tax all digital companies and institutions, including, for example, Amazon, Meta, Apple and Google, as contributing to financial revenues that can be used to promote human rights in all States of the world, particularly in developing countries. Hence, the international consensus on taxing the digital economy must be aimed primarily at providing as much tax resources and fiscal revenues as possible to developing and poor countries suffering from the effects of economic crises and the effects of the Covid-19 crisis. These tax revenues and revenues are a key pillar for higher economic growth, poverty reduction and sustainable development goals in these countries. This necessarily reflects the actions of all human rights, including economic, social and cultural rights such as health, education, social protection, water and sanitation, as well as civil and political rights, including access to justice, participation in free and fair elections, freedom of expression and personal security. Thus, any global efforts to tax the digital economy must aim at eliminating all avoidance, tax avoidance and other tax abuses by digital multinational corporations, including Google, Meta, Apple and Amazon, and significantly affect developing countries' tax government revenues.

Maat for Peace also believes that a global minimum corporate tax of at least 25% should be imposed on digital multinational corporations in order to ensure as much resources and government revenues as possible for the work of human rights, in particular economic, cultural and social rights, in order to reduce their circumvention of the tax systems of their operating States, which impose high taxes on their profits by transferring their profits in a conceptual manner to other countries providing tax exemptions or imposing low taxes. Maat believes that digital companies should be taxed in the States where they offer their services and those where they engage in economic activities even if they do not have a physical presence within these States. The rule of the physical presence of taxpayers serves as a legal basis for income tax, and have empowered many digital companies to avoid paying taxes. Take for example companies like Meta, Amazon and Google, which have no physical presence in the majority of the countries in which they provide services and their customers rely on websites and other digital tools that have spread with the growing digital economy.

**What are the advantages of regulating the financial elements of the digital economy and regulating digital systems that support transactions for LDCs?**

Maat for Peace believes that regulating the financial elements of the digital economy in developing and least developed countries would bring several benefits to these countries. Regulating the digital economy and taxing major digital companies would provide huge tax revenues that could be used to promote economic growth and accelerate development in all countries, especially in developing and least developed ones. Tax revenues are an essential pillar for achieving higher economic growth, reducing poverty, and achieving sustainable development goals in these countries, which is necessarily reflected in the realization of a set of human rights including economic, social and cultural rights including health, education, social protection, water and sanitation, as well as civil and political rights, including access to justice, participation in free and fair elections, freedom of expression and personal security.

The adoption of digital technologies in financial transactions would bring enormous social and economic benefits amounting to hundreds of billions of dollars a year. According to a report issued by the World Bank, the adoption of digital technology in financial transactions in developing countries in the Middle East and North Africa (i.e., non-GCC countries) would accelerate the GDP growth rate by at least 46 percent over 30 years. In addition, it can lead to the creation of millions of jobs for young people and women. In this context, the report emphasized that the comprehensive adoption of digital technologies in the Middle East and North Africa would double the rate of women's participation in labor force over 30 years from 40 million to 80 million and would lead to an increase in manufacturing companies' employment by at least 5 per cent over 30 years, equivalent to at least 1.5 million jobs over 30 years unemployment. A comprehensive adoption of the system would also reduce frictional unemployment from 10 per cent to 7 per cent of the workforce over six years[[3]](#footnote-3).

**What measures and mechanisms should be put in place to ensure that the global digital tax incorporates human rights principles in terms of how it is collected and how tax revenues generated are used?**

Maat for Peace believes that a set of measures should be put in place to ensure that the global digital tax includes human rights principles, such as the need for all countries to be able to collect taxes from major digital companies, such as Amazon, Meta, Apple, etc., which provides its services and conducts its digital activities within its territory even if these companies do not have a physical presence there. The taxpayer's physical presence rule currently in force serves as a legal basis for tax that empowered many digital companies to avoided paying taxes, depriving many developing countries of huge tax revenues that could have been used to promote their citizens' human rights. Besides, a global minimum corporate tax of at least 25% should be imposed on digital multinational corporations in order to ensure the maximum availability of resources and government revenues for human rights work, in particular economic, cultural and social rights in order to prevent large digital companies that circumvent the tax systems in the states where they operate and levy high taxes by transferring their taxable revenues and assets from the countries where such revenues and assets are generated, to subsidiaries located in tax havens and sometimes has no real employees or business activities. In the same vein, Maat believes that tax revenues on digital corporate profits can clearly contribute to enabling low- and middle-income countries to realize their citizens' human rights through the provision of health, education, social and sanitation services, access to justice and participation in free and fair elections. Thus, the optimal use of tax revenues from major digital companies is achieved through the expenditure of such revenues on pathways to promote fundamental human rights, particularly economic, social and cultural rights.

**Are there practices, legislation or policies at national or regional levels that could serve as good examples? Are there case studies that could be considered for this report, with specific reference where possible to remittances, cryptocurrencies and e-commerce marketplaces as well as taxation of businesses involved in digital systems?**

Recently, many countries around the world have become increasingly interested in adopting policies, practices and legislation aimed at digital taxation of big digital companies as a means of increasing their financial revenues that can be used to drive economic growth. Maat for Peace has monitored many international efforts and practices in this regard. In Indonesia since July 2020, the Government has imposed 10% value-added tax on-resident foreign firms which sell digital products and services in Indonesia worth at least 600 million rupiah ($41,667) a year, such as those provided by Amazon, Netflix, Spotify, Google, Meta, Disney and TikTok[[4]](#footnote-4). In the Philippines, there are ongoing efforts to tax digital service providers that could include cryptocurrency exchanges. In this regard, the President of the Philippines announced in July 2022 that the tax system in the Philippines will be adjusted to keep pace with the rapid developments of the digital economy as will lead to the imposition of VAT on digital service providers and cryptocurrencies. In order to generate the revenue needed to address the Philippines' huge debt incurred as a result of its response to the Covid-19 pandemic[[5]](#footnote-5). In India, since June 2016, the Indian Government has applied a 6 percent tax on services provided by some companies not residing in India, including online advertising services[[6]](#footnote-6). Submission of any digital advertisement, annex or another service for the purpose of online advertising The Indian government has also imposed a 30% tax on income from cryptocurrencies and digital assets since April 2022.[[7]](#footnote-7)

1. For more information in this regard, please see the Digital Economy Report 2021 at the following link: <https://bit.ly/3BpVqnR> [↑](#footnote-ref-1)
2. How to beat the 3 challenges to building inclusive digital financial services, World Economic Forum, Dec 21, 2021, link: <https://bit.ly/3RPjYMq> [↑](#footnote-ref-2)
3. إيجابيات التكنولوجيا الرقمية لمنطقة الشرق الأوسط وشمال أفريقيا: كيف يمكن أن يؤدي اعتماد التكنولوجيا الرقمية إلى تسريع وتيرة النمو وخلق فرص العمل"، مجموعة البنك الدولي، 16 مارس 2022، الرابط: <https://bit.ly/3er0QFQ> [↑](#footnote-ref-3)
4. Indonesia imposes 10% VAT on Amazon, Google, Netflix and Spotify, Reuters, JULY 7, 2020, link: <https://reut.rs/3xbvhq4> [↑](#footnote-ref-4)
5. Philippine President Marcos Jr pushes tax on digital services, forkast, JULY 26, 2022, link: <https://bit.ly/3BvUmyN> [↑](#footnote-ref-5)
6. Equalisation Levy @ 6% on Digital Ads from 1st June 2016, chartered club, link: <https://bit.ly/3QyJPXA> [↑](#footnote-ref-6)
7. Crypto tax: How cryptocurrencies are treated in India and around the globe, The indian express, June 18, 2022, link: <https://bit.ly/3d3I8ny> [↑](#footnote-ref-7)