

Taxation in Electronic Commerce

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E-commerce is a form of commercial cooperation, which includes electronic interaction between the parties participating in the process of trade exchange, instead of tangible interaction, or direct connection [1] (Al Allak, 2003,p 149), E-commerce implies the implementation of electronic transactions on the exchange of documents, e-mail, electronic newsletters, fax, e-money and other electronic means [2] (Radhwan, 1999,p 15)

It seems that the combination of e-commerce tax collection would be an important source of state resources, is characterized by the continuing increase, commensurate with the size of e-trade, as they involve the collection development policy fit with the nature of electronic commerce activity.

That individuals and institutions are favoring the conclusion of contracts and business transactions on the Internet to the lack of costs in terms of value and time alike. Add to that, the restriction of tax systems on commercial transactions without a traditional electronic systems makes it a limited tax efficient.

Elements of taxable income in e-commerce

Items of income that are subject to taxation in e-commerce can be divided into two main types:

A) Business Profits (businesses). This profit from continuing operations - sales, operations and profit from the capital.

B) Returns. It means that the organization receives money for the use or right to use the virtual funds or funds, such as patents, copyrights, use of scientific and artistic works and more.

According to traditional measures and rules of profit from the business subject to income tax, which is calculated on net income annually. Thus, the employer is obliged to annually report on the activities, for what should be the adoption of immediate measures in accordance with established rules.

There are many pictures, which can receive through it basic income of an organization working in the field of electronic commerce. Among the basic concepts are the following:

1) The sale or lease of goods. There are many sites through which the buyer can select or request material goods and to pay its cost, then get the good material way through the postal service [3] (David, 2000).

Deal or trading may also be fully implemented electronically. In this case, the product goes directly to your computer. For example, programs, magazines, books, multimedia, entertainment resources.

2) The provision of services. In this area include banking services, booking airline tickets or tickets for other means of transportation, brokering securities, medical, legal, accounting and other specialized advice.

3) Provision or dissemination. Through the Internet you can get information and data in a mode of direct connection (on-line). Due to the computer connection, such as lexis and lexis, the user can gain access to the information requested.

4) propaganda, advertising and publication, which use computer screens to promote products, services and another manufactured products, to individuals and companies.

Income or profits not expected, and the capitalization profits have a different character depending on how they were derived [4] (OECD). As per cent, it is taxed based on the total amount of profitable. This tax has a special size, it is not necessary to wait a year to provide a report to the tax settlement and payment of tax, which can pay when you receive per cent. He was removed from the amount the payer per cent and in most cases applied to manufactured products.

At the same time, the percentage may be paid, as well as profit from the business, when they are obtained from normal activities or when the office / place payer consistently.

Many of tangible goods sold through traditional trade through trade institutions, the income derived from business activities that, in light of e-commerce becomes immaterial. It can get people who are not in the state, which has sold a consumer products manufacturing.

Thus, the analysis can be based on the basis of research income as a reward for marketable goods or services, or service, or use any rights to use assets or intangible assets or the transfer of technical knowledge. Then the income can be viewed as the result obtained from the first two activities. With regard to other species, they can be obtained at the expense of the study [3] (2000).

profits of Business: it the main income resulted from e-commerce in the form of proceeds from sales that are make by the company, through the Internet or through the conclusion of transactions involving the sale of goods or provision of services [4]. Regardless of the fact that the ways of obtaining the consumer or purchaser of goods are different - even though the material whether it is goods acquired in the traditional way, or goods received through electronic commerce (software downloads, information, knowledge) directly on the user's computer, which is an operation with moral rights possessed by the company in the form of goods or services for sale via the Internet. If income is received as a

result of transactions with intellectual property, secure property rights, then this income is profit.

Thus, we can say that these operations make a business profit under taxed the normal operation of the tax account that is based on net profits to processes e-business :

Purchase of goods via the internet.

1- After becoming acquainted with the product through its design (directory), which the company places on the site in the network, is buying it. With regard to the goods, it carried the usual material way, while not costing view of the sample (directory) on the Internet.

2. Purchase the license to use software or other digital electronic products. Some lawyers share the nature of profits depending on how it is received, which varies with the concurrence of the amount paid for the profit of the Equipment Leasing (Leasing of equipment) as opposed to the implementation of such equipment as modems, CD-ROMs.

If you receive the product production occurred electronically - through the transfer to the client, the fee is profit, because this transaction involves permission to use the intangible assets of virtual [4].

Thus, analysis of the transaction in accordance with the peculiarities of the operation, said that no difference in the final result in relation both to the consumer or the client is not available.

3. Issuance of a consumer permanent license or a license for an extended period on the use of software or digital products production for a fee. The amount of payment determined in accordance with the contract or agreement between the user and Host entity, that there is a software or digital product production, which has the owner and who provides it with technical support. Host entity receives a certain sum in exchange for permission to use the consumer to a program, for example, programs such as financial control, control of the stored product administration.

4. Install a package of services - providing communication facilities, through which the consumer receives an automatic access to software, a host which is the owner of a package of services, or communication with others, implementing these services.

The amounts to pay the person supplying services, as taxes and license fees, in particular, is associated with the protocol of ready-asp-programs are profitable to work.

5. Providing the service provider host electronic pages use part of the server, which he owns.

The amount earned by the service provider is defined, in this case, on the basis of time spent on site private company, without the right of authorship to any of the components of the site.

6. Service provider access to information held on the server provider. Users or consumers can dispose of this information without a special license / permit the provider. Moreover, individuals interacting with the user, also have the right to use this information in their own interests.

7. Providing the service provider ongoing technical support (via the central connection on-line network). Provision of advisory services to address emerging problems through email communication with technical staff.

After the sale of a product production can be provided such services as repair or adjustment.

8. Providing the service provider the user to store information and data. The user is also given the opportunity to store and delete information that he wishes to exclude from the available information, some data that facilitates rapid collection and processing of information.

Provider of additional services can also analyze the data or information that does not require user of this information to keep it confidential - industry and consulting reports, in particular, are sent electronically, or purchased and must be purchased in the on-line on the Internet.

9. Regular supplier to provide additional information services to specific users. This information may be private in nature, or may be specialized in accordance with the needs of persons requesting it.

10. Service access to the site in the network under a periodic payment. The user pays a fee for the right to use digital information, copyright, entertainment resources, including multimedia files - music, sports, arts. This type of information is constantly updated and improved.

Internet gives users the right to participate in games in which they play two, or more people. Among them, gambling, betting, which are levied a special tax by the State, and, as expected, their number in the network will decline.

11. Installing a network operator web site operator, which in some places the value of their trade patterns (directories) on the server.

The service exists to provide the user site options desired product production from catalogs. The role of the network operator is reduced to a simple placement of the samples (directory), transfer of user requirements to the seller of the goods, without the right to conclude contracts for the sale, which are signed directly between the user and the seller.

12. Providing auction.

A network operator provides the seller of goods and services, means the goods and sell it at auction, which involves the user's access to it (the auction). In this case, a network operator is not bound by any contractual relationship with the user (buyer) or a seller at auction [5] (seddeek, 2004).

13. Providing services and database access visual and audible "information. These materials are provided by the owners of radio or television channels, a fee that is charged for their use.

14. Downloading the products sold through the Internet. Thus, the user requests directly from the manufacturer's product, which was selected them through the samples (directories) posted on the Internet. In turn, the manufacturer ships the goods to the consumer via the Internet, which retains the goods on his personal hard drive (Hard Disk), or in any other way. The price of the goods does not include fee-per-view samples (directory) and the choice of goods.

It is not permitted to copy demonstrated copies and samples placed on the website [4].

Do not use the process of obtaining the goods as a means of evasion of income tax, not allowed to replace the nature of business profits on the income. This idea sounds a tax treaty Organization for Economic Cooperation and Development (OECD), paragraph 1, chapter 14 (on return) [6] (OECD, 1998). Returns :

The paper on double taxation Organization for Economic Cooperation and Development (OECD) states that "the profit - paid amount, regardless of their type: for the use of the goods or the right of its use, dissemination of artistic, technical or scientific works, including films, and any patents, trademarks, designs, patterns, plans, design, "secret" operation, or usage fees, the right to use industrial, commercial and scientific-products [7] (OECD, 2000). Either fee information related to industrial, commercial or scientific experience. It is worth noting that this definition includes two key elements:

1) The use or right to use. That means the division between the concepts of use and transfer of property (alienation) - or between use per se and the provision of services to use.

2) The authorship of technical and artistic works. He distinguishes between the original or an asset (property), and between the legitimate right of authorship or intellectual property rights, which means the protection of copyright. The list of these rights include artistic, musical and technical works, photographic images and films. However, there is software (Soft ware), which is regarded as a product of scientific work [8] (1991).

Income which is the Mixed nature of :

In the case where a company receives income that is actually a charge for the performance of its activities and consists of a normal return - that is income from business activities, the question arises about the application of the provisions of tax treaties to this income, particularly if the nature of income can not be determined. In other words, whether the income is considered income from the business or interest?

To answer this question, the Organization for Economic Cooperation and Development (OECD) considers it necessary to model, which has been posited to account for income on the basis of a factor on the basis of the majority or main activity, most of which is revenue. In this case, profits can be regarded

fully as either business income, or as a percentage.[9] (Westin, 2000)

The adequacy and appropriateness of policies for the accounting which is applicable to the environment of electronic commerce : [10] (Al Kashi,2004)

Changes that have arisen in the business environment and the resulting difficulties:

The structure of the enterprise: E-commerce has led to fundamental changes in the structure of enterprise, and gave her a fully electronic in nature. It is known that the company had committed various operations in the usual way, and the time factor was not as important as now, when the buying process is made in seconds. To ensure high-speed structure of the enterprise must have effective mechanisms to manage and perform various operations, which is a very complicated process, because These operations are carried out via the Internet, especially in light of the ever increasing threat from online piracy. Therefore, to keep pace with these rapid processes, any accountant and auditor should have a perfect command of knowledge about these technologies.

Location of the business: This factor is considered the most important and most dangerous change that has occurred due to the use of electronic commerce. Earlier, during normal system, business transactions took place in certain places and at certain markets, and in this case, any error and any difficulties could easily fix or resolve. With regard to the present time, with the help of high technology, anyone from anywhere can make a deal with just one touch of the button the computer. In most cases, one operation follows another, and find the error is very difficult. Some companies that interact through e-commerce, discovering errors only after some time.

Channels of distribution: Formerly there were certain specific channels of distribution of goods, which allows companies to identify the source of transactions and interact with them. However, in the era of electronic commerce, a host of mixed channels of distribution of goods, as a result, when making any mistakes, should take a long time before this error will be detected.

Forms and methods of sale: There are many types of distribution channels of goods, ie before sales were brokered by the special people qualifying for this, but today, in light of electronic commerce, the process of sale of goods purchased on many different forms, such as audio, video and many other shapes, using the sale of programs prepared in advance. But here there is a problem, because These programs do not have feelings and the human mind, which can lead to abuse.

Relationships with customers and clients: Also considered a very important factor. When traditional methods with customers and clients to communicate directly. Now, however, such relationships become digital in nature, in most cases, people do not communicate directly, so their relationship become illusory, although in fact are valid.

Revenue: This is considered the most acute problem faced by accountants. In the high-tech accounting transactions do not take into account the revenue-generating mechanisms. Previously, the process of income had certain conditions, in most cases was confident that the seller receives income. But now, in light of the lack of security and its ability to penetrate into the company from the outside, the process of income was unreliable.

Payment mechanisms: In the era of e-commerce, new payment options that had not existed before, namely the payment via the Internet. Some believe that this method is not very different from the payment through bank, but it is not, because the banks during the various operations using protected systems that are not accessible to the masses. While the payment via the Internet at greater risk, especially from Internet pirates, who may use other accounts to pay for their shopping. In this case, the operation can not be canceled.

Accounting and payment of taxes: We return once again to the issue of income. Tax bargain was a big problem for companies, especially in light of lack of security of electronic transactions. Organization is difficult to prove theft of revenues, in particular, most companies refuse to acknowledge this fact for fear of losing their customers, resulting in their take on the additional costs, headed by the taxes for nonexistent transactions.

The difficulties which face the tax administration:

1-Complexity of identification of taxpayers. In order to determine the location of the taxpayer the tax authority is exploring the necessary data required for the introduction of tax on profits, sales, etc.

Important data are: the name of the payer, the name of the company, its location, legal status, along with basic information about transactions, transactions that were concluded and implemented, information about the companions for the entire fiscal year.

Activity payers in the area of electronic commerce on the Internet and the ability to move from site to site without having to move to the country the consumer led to difficulties to identify it, which in turn imposes fetters on the work of the tax authority and the party is subject to taxation. Some researchers consider it necessary to rely on providers of Internet services as one of the most important sources of information about payers working in the field of electronic commerce. Taking into account the contractual relationship between the provider and the company that uses a server, which is owned by the supplier to contact the company network.

There is no question that the tax authority may benefit from the information in terms of companies working in electronic commerce [11] (Harry Tennant, 1997).

2-Lack of access to information. The inability of the tax authorities to follow technological progress and provides information campaigns to modify or withhold information by electronic means, as the company owns the

mechanisms of insight, which allow you to display only the information that is deemed necessary, but not in a form that is waiting for the tax authority. 3-The complexity of the study. Technology traditionalism provoke problems with the legislation related to the emergence of new types of documents, testimonies, ways to fulfill the commitments, the length of the opportunities that are based on digital outputs as an indication of confirmation in the light of today's tax laws. This was reflected in the measures in the study and tax receipt. The answer to such technology was a sample of the text of the law on electronic commerce, which Entrol said it was not permissible to refuse to supply information solely because of the manner in which it is stored, in contrast to the traditional method of storage in the form of records.

Under the record refers to the original documents, which can be both the official and unofficial. In that context, the writing is such papers that appear in writing manner, regardless they were obtained from the site or from other persons, were printed by any printing methods, printed in ink or pencil, or other means, local or foreign language. Several researchers assume that the written documents can be written by private symbols, when the parties are known in advance of the value [12] (Al Mursy, 1995).

Distribution of high technology and the possibility of an electronic signature has become the hallmark of an individual on the Internet. Electronic signature - a small set of digital (digital certificate) to be issued by a private or independent parties recognized by the Government and stores the name of the person and some other important information about him - a serial number, time of expiration, the source. The signature consists of two keys - the private key (private key), or the personal signature of the person and the public key, which is published publicly.

States may use electronic signatures to perform functions normally performed by electronic signatures. At the same time, an electronic signature is a special hand in pencil on the computer screen or digital display. Despite the fact that the electronic signature may replace the functionality of a traditional signature, it takes place not in a form that is required by law.

Therefore, in some states in recent years, legislation has evolved in this direction, and electronic signatures are recognized.

Risks of electronic records: Given the rate of flexibility, which have electronic registers, in the transactions of control, the risk lies in the ability of the payer to destroy or hide from the tax authority.

This situation hinders the use of companies secret mode (code), access to which would be closed to the tax authorities without a special law. Legislative regime can take advantage of modern technology in solving this problem. The solution is to use "digital certificates" that will not "play" with electronic registries, the change of the data contributor.

4-The complexity of obtaining tax: Some researchers believe that it is possible to obtain a sales tax, carried out electronically, using a bank machine in the event that the tax authorities have access to the accounts of the buyer was able to track the movement of accounts in the process of committing commercial transaction, or gained access to credit card information payer, through the payment of which was conducted trading with the regime of tax limitations on the source of the operation, one of the participants which is the foreign side [13] (<http://www.Safola.com/signature>). However, expanding the use of electronic money (Electronic Money) increases the difficulty in tracing the accounts of taxpayers, withholding of funds, opening accounts in banks of other countries, the use of large scope of secrecy that banks with access to the accounts of their clients. This situation is pushing some states prohibit the use of electronic money in the calculations, which, in turn, hampers the development of electronic commerce and technology in general [14] (The Canadian Joint Government). It is assumed that revenues will decline due to the lack of an intermediary between a company and the customer in light of electronic commerce. Then proceeds, on which information is given to the tax authorities through an intermediary transaction of sale by concealing the source, is reduced or completely disappears. Moreover, the tax authority to the lack of an important source of information loses taxpayers.

But the Internet does not lead to the fact that the role of traditional intermediaries is not necessary, it does not create obstacles to the emergence of new intermediaries, because the banks no longer receive taxes on trade transactions carried out electronically. On the basis of most such transactions take place through the accounts of customers who use credit cards to make payments on the Internet. This role will not decrease, despite the spread of electronic money, which is difficult to track [15] (Richard Rahn, 1997). Internet contributes to the emergence of new intermediaries, such as telecommunications companies, Internet service providers. Some researchers believe that Internet service providers (ISP) may be used as an intermediary in the receipt of tax, in particular, value added tax and its "transfer" to the tax authority in the development of technologies and solutions to the problems of tax collection in cyberspace.

However, this proposal outlines the obligations of all local and international Internet service providers reporting to the tax authority, which requires the need for international coordination of these issues in order to prevent evasion of suppliers to fulfill their obligations.

Currently, some companies are working on a study of software towards the development of value-added programs that will allow specialized tax authorities to levy taxes.

It is possible also to software manufacturers to design institute control specialist browsers (browser) or software associated with electronic commerce.

Lastly, must adopt the tax legislation framework in the field of taxation is based on the new regulations and measures, which oblige to collect taxes, or methods that contribute to its definition, or measures that help to get it. It allows you to reduce the "bureaucratic physical effort, in which there is a loss of time and money. It seems possible, for example, to use the software (software) for automatic determination of tax bills, or get rid of the customs control when delivering the traditional method, and apply new modes or decision-making and taxes electronically. At the same time the tax treatment of electronic commerce should not contravene the rules, fundamentals and considerations associated with the flow of information transmitted on the communication network (Lax Informatica). The simplest of these considerations are the right of access to the Internet, disseminating information, its receipt and exchange. Nor can it ignore the importance of coordination and cooperation in the field of international taxation of electronic commerce.

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