



Designing the tax system for a cashless, platform-based and technology-driven society

Questions and Answers on the CPT Project

1. What is the aim of the project?

The aim of the CPT project is to provide a thorough analysis of how tax systems could be designed and structured for a society primarily based on Cashless Payment Methods, Online Platforms and Digital Technologies, such as artificial intelligence (AI) and blockchain. The CPT project aims at helping stakeholders and the society at large to make informed decisions when addressing issues under current tax systems and/or when introducing structural reforms.

2. Why did the University of Amsterdam (UvA) launch this project?

Most societies around the globe are evolving towards a model that, among other, will be heavily based on cashless payment methods (e.g. credit/debit cards, contactless technologies, digital wallets, online banking, mobile payment apps, virtual currencies, etc.), online platforms (e.g. search engine, social media, marketplaces, ride-sharing, short term rental, etc.) and digital technologies (e.g. artificial intelligence, blockchain, cloud computing, the internet of things, etc.). This transition towards a more cashless, platform-based and technology-powered society has been accelerated by COVID-19 crisis.

Pursuant to historical evidence, every time there has been a major technological change or global crisis, the tax system has evolved accordingly (“for each revolution or crisis a new tax system”). Therefore, everything indicates that the evolution towards a cashless, platform-based and technology-driven society will also have a significant impact on the design and structure of XXI century's tax regimes. Indeed, this impact is already becoming apparent in certain areas of current systems creating an urgent need to design tax systems that are easy to comply with and difficult to circumvent.

3. Why designing tax systems for a cashless society?

Ever since the first general-purpose charge card debuted in the early 1950s, experts have been predicting the emergence of a “cashless society”. Over almost seventy years later, and pushed by the outbreak of an unprecedented global pandemic, the widespread use of debit/credit cards, contactless technologies, online banking, mobile payment apps, digital wallets and cryptocurrencies have proved that we are finally getting close to that vision.

The progressive move towards an entirely (or at least majorly) cashless society is already in motion worldwide. In a number of developed countries, the percentage of cashless transactions is already higher than those made in cash. On the other hand, many developing countries have introduced incentives to migrate from cash to other payment forms and, in several emerging economies, digital payments are becoming widespread leapfrogging the credit card system and moving directly into mobile payments.

All these trends, which have been accelerated by the COVID-19 crisis, suggest that the role of cashless payment methods will continue to rise in the future and that the so envisioned “cashless society” is imaginable in little more than a decade. Therefore, it seems necessary to analyze how tax systems could be designed and structured for such new scenario.

4. Why designing tax systems for a platform-based society?

In parallel to the cashless movement, the rapid development of information and communication technologies (ICTs) have paved the way for the emergence of a connective world where online platforms (e.g. search engine, social media, marketplaces, ride-sharing, short term rental, etc.) have penetrated the heart of societies. This phenomenon has been labeled the “platform society/revolution” and emphasizes the growing and inextricable relation between online platforms and societal structures.

A “platform-based society” refers to a society in which social and economic traffic is majorly channeled by a (corporate) global online platform ecosystem that is driven by algorithms and fueled by data. An online platform should be understood as a programmable digital architecture designed to organize interactions between users (not just end users but also corporate entities and public bodies) and geared toward the systematic collection, algorithmic processing, circulation and monetization of user data.

As with the cashless phenomenon, the progressive move towards a “platform-based society” is already in motion.



5. Why designing tax systems for a technology-driven society?

Enterprises that leverage the power of platform business models have grown dramatically in size and scale over the past decade. In addition, online platforms are now active in all five continents and it is estimated that almost a third of global economic activity could be mediated by platforms in a six years' time.

Despite the difficulties to determine the actual and prospective size of the platform economy, at this stage it is clear that online platforms will become even more important in the years to come. Thus, it seems necessary to analyze how countries' tax systems could be designed and structured for such challenging scenario.

Technologies are profoundly changing our daily life, our way of working and doing business, and the way people travel, communicate and relate with each other and the government. Digital communication, social media interaction, e-commerce, and digital enterprises are steadily transforming the society. They are generating an ever-increasing amount of data, which, when pooled and exploited, can lead to completely new means and levels of value creation. For that reason, it is usually claimed that digital technologies are generating a transformation as fundamental as that caused by the industrial revolution.

Artificial intelligence (AI), automated decision-making systems (ADM), blockchain, cloud computing, the internet of things and other technologies provide numerous benefits and opportunities for society. They provide a tool for doing things better, faster and at lower cost. However, these benefits do not come without risks. While governments try to keep up with tackling the policy challenges raised by technologies and novel digital business models, enterprises are increasingly subjected to burdensome compliance obligations and continuously exposed to complex (and sometimes unreasonable) regulations. On the other hand, citizens no longer feel in control over their personal data and are increasingly overloaded by artificial solicitations of their attention. In addition, malicious cyberactivity may threaten people's well-being or disrupt critical infrastructures and wider security interests.

The substantive societal transformation that digital technologies are generating calls for a profound reflection as to how the aforementioned opportunities and risks should be addressed by current tax systems. Thus, it seems necessary to conduct a thorough analysis on how countries' tax systems could be designed and structured for such a technology-driven world.

6. Is the project opened for external partners?

Yes it is. In order to ensure that businesses, governments and NGOs can contribute to this initiative and help identify relevant research topics and/or questions, the CPT project is currently opened for external partners. If your organization is interested in being part of the CPT project and have a voice in the design of tax systems for a post COVID-19 world, please contact the project's **general supervisor**.

7. How does the project ensures research integrity and good governance?

To ensure research integrity and good governance the CPT project endorses the Netherlands Code of Conduct for Research Integrity of the Association of Universities in the Netherlands (VSNU) and the European Code of Conduct for Research Integrity of the All European Academies (the ALLEA Code). It endorses the principles of honesty, scrupulousness, transparency, independence and responsibility mentioned therein. The project also endorses the duties of care referred to in the Code of Conduct.

All Academic supervisors, coordinators and researchers involved in the CPT project will therefore be expected to be familiar with these principles and to act in accordance with them. The relevant rules and regulations can be found on the **UvA website** under About the UvA – Policy and regulations.

8. Where can I find more information about the project?

For more information about the CPT project, including a complete description of its research topics and people involved please see www.actl.uva.nl (under CPT project).