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**International telecommunication union**

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| **Telecommunication Standardization Bureau (TSB)** | | **Telecommunication Development Bureau (BDT)** |
|  | | Geneva, 20 September 2022 |
| Ref: | **Circular BDT/DKH/RME/128**  **TSB Circular 29** | **To:**  - Administrations of Member States of the Union  - ITU-T and ITU-D Sector Members  - ITU-T and ITU-D Associates  - ITU Academia |
| E-mail: | [tsbevents@itu.int](mailto:tsbevents@itu.int) | **Copy to:**  - The Chairmen and Vice-Chairmen of ITU-T and ITU-D Study Groups  - The Director of the Radiocommunication Bureau  - The Regional Directors of the ITU regional offices |
| **Subject:** | **ITU Workshop on “Economic and fiscal incentives to accelerate digital transformation of data and applications over telecommunication infrastructure” (Geneva, Switzerland, 3–4 November 2022)** | |

Dear Sir/Madam,

1 The International Telecommunication Union (ITU) is organizing a workshop on **"Economic and fiscal incentives to accelerate digital transformation of data and applications over telecommunication infrastructure"** from 3 to 4 November 2022 at ITU headquarters in Geneva, Switzerland. The workshop will be held as a physical event with remote participation.

The workshop will be held in English only, with live captioning, and will be followed by the [ITU-T Study   
Group 3](https://www.itu.int/en/ITU-T/studygroups/2022-2024/03) series of Rapporteur Group meetings from 7 to 10 November 2022, and by the ITU-T SG3 plenary meeting taking place on 11 November 2022 at the same venue.

2 Participation in the workshop is open to ITU Member States, Sector Members, Associates, Academic Institutions, and to any individual from a country which is a member of ITU who wishes to contribute to the work. This includes individuals who are also members of international, regional and national organizations. Participation is free of charge.

3 The main objective of the workshop is to discuss economic and fiscal incentives to accelerate digital transformation of data and applications over telecommunications infrastructure in the context of the new digital economy taxation, its international coordination, and the views of industry, academia and society. The objective is to bring clarity and new information from relevant organizations regarding those economic, fiscal and policy aspects. This workshop will provide an opportunity to bring together diverse experts to share perspectives and exchange information on the latest developments in this field, with a view to advancing international cooperation and coordination.

The workshop will provide a platform for discussions between policy makers, regulators, economists, standardization experts, taxation experts and other interested participants from the membership of ITU, and other non-members from developing and developed countries, including economies in transition, academia and research entities, industry, telecommunication/ICT operators and service providers, digital platforms, other international organizations, and interested stakeholders.

The Annex of the Circular letter provides an initial outline of the workshop programme and its planned sessions.

4 The Appendix of this Circular letter contains some background information to put this workshop into the context of past and present discussions, trends and activities.

5 All relevant information pertaining to the workshop (e.g., draft programme, speakers, registration links, remote connection details) will be made available on the ITU website: <https://www.itu.int/en/ITU-T/Workshops-and-Seminars/2022/1103/Pages/default.aspx>. This website will be updated regularly as new or modified information becomes available. Participants are requested to check periodically for new updates.

6 General information for participants, including hotel accommodation, transportation and visa requirements, will be made available on the ITU website mentioned above.

7 To enable ITU to make the necessary arrangements concerning the organization of the workshop, We would be grateful if you would register via the online form at: <https://www.itu.int/net4/CRM/xreg/web/Login.aspx?src=Registration&Event=C-00011717> as soon as possible, but **no later than 27 October 2022.** **Please note that pre-registration of participants for our events is carried out exclusively online.** Participants will also be able to register on-site on the day of the event. **This workshop is free of charge and open to all**.

8 Wireless LAN facilities are available for use by delegates in the main ITU conference room areas. Detailed information is available on the ITU-T website (<http://www.itu.int/ITU-T/edh/faqs-support.html>).

9 A number of Geneva hotels offer preferential rates for delegates attending ITU meetings and provide a card giving free access to Geneva’s public transport system. A list of participating hotels, and guidance on how to claim discounts, can be found at: <http://itu.int/travel/>.

10 We would remind you that citizens of some countries are required to obtain a visa in order to enter and spend any time in Switzerland. **The visa must be requested at least four weeks before the date on which the workshop starts** and can be obtained from the office (embassy or consulate) representing Switzerland in your country or, if there is no such office in your country, from the one that is closest to the country of departure.

If problems are encountered by **ITU Member States, Sector Members, Associates or Academia members**, and at the official request made by them to TSB, the Union can approach the competent Swiss authorities in order to facilitate the issuing of the visa, but only within the period mentioned of **four weeks**. Any such request should be made by checking the corresponding box on the registration form no later than four weeks before the event. Enquiries should be sent to the ITU Travel Section ([travel@itu.int](mailto:travel@itu.int)) bearing the words “visa support”.

Yours faithfully,

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| Chaesub Lee  Director of the Telecommunication Standardization Bureau (TSB) | Doreen Bogdan-Martin  Director of the Telecommunication Development Bureau (BDT) |

**Annex – Outline of workshop sessions**

In total, nine sessions (subject to change) are planned during the workshop. For any updates, please see webpage at <https://www.itu.int/en/ITU-T/Workshops-and-Seminars/2022/1103/Pages/default.aspx>

**Session 1 – Opening**

**Session 2 – Introduction to ITU-T Study Group 3**

**Session 3 – Industry’s perspectives on the economic and fiscal landscape**

In recent years, user demand has driven outstanding growth of data and applications over telecommunication infrastructure, which broadens options of virtual interaction, content consumption and remote communication for people all over the globe.

With the increasing presence of these new digital firms, issues arise on the economic impacts of new fiscal instruments; for instance, on investments, forms of cooperation between traditional telecommunication operators and OTT application service providers, among others.

Some parts of the telecommunications industry have proposed to apply the “sending-party-network-pays system” (SPNP) and have called for some form of an Internet usage/traffic tax, levies or fees on “big technology content and service provider companies” and ISPs to help provide cost recovery for telecom service providers’ investments. However, some parts of the wider Internet ecosystem have cautioned that such approaches could be counterproductive.

This session aims to gather the various industry perspectives on the economic, regulatory, and fiscal landscape in which telecom operators and content and application providers operate.

**Session 4 – ICT market impacts of international tax agreements**

As investments around the world advance towards globalized intangible digital service-based assets, so do tax systems in order to adapt to the 21st century production structure. Given the importance of cross-border transactions, a commitment for international coordination on taxation was made through the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

The OECD/G20 Inclusive Framework on BEPS has agreed a two-pillar solution to address the tax challenges arising from the digitalisation of the economy. Agreed by more than 135 countries and jurisdictions, representing more than 90 per cent of global GDP, this landmark deal represents a historic achievement towards a more stable and fairer international tax system.

This session aims to provide participants with a thorough understanding of the efforts undertaken in this initiative in terms of the tax challenges arising from the digitalization of the economy such as on automated digital services and on multinational enterprise business taxation. It also has the objective of broadening the knowledge on relevant aspects which relate to the ICT and telecommunication sector, as well as to possible outcomes on companies that operate over telecommunication infrastructure.

**Session 5 – International aspects, and multistakeholder impacts of established and new fiscal instruments**

There is an ongoing need to encourage investment in telecom infrastructure, particularly in new deployments and continual upgrades, especially in rural areas, to help close the digital divide. This raises the question of which funds, fiscal instruments, incentives and other measures could be most appropriate and effective in bridging the digital divide and in supporting the digital transformation.

There are challenges to Universal Service Funds (USF), which are shrinking as they are derived from telecom voice service revenues, affecting especially developing countries with varying economic consequences. Suggestions have been made to rescope or reform the service funds and derive them from broadband data service revenues, as well as to request “Big Tech” companies to contribute to universal service obligations.

There are also debates surrounding applying the “sending-party-network-pays system” (SPNP) and/or some form of an Internet usage/traffic tax, levies or fees on “big technology content and service provider companies“ and ISPs to help provide cost recovery for telecom service providers’ investments.

Recently established European regulations such as the Digital Market Act and Digital Service Act that address digital/online platforms will be considered in this session, as well as the WTO moratorium not to impose customs duties on electronic transmissions, and an expected Connectivity Infrastructure Act.

A key objective of the session is to facilitate a dialogue among the experts regarding how they understand the economic consequences and regulatory implications of some Internet usage/traffic tax compared with other fiscal instruments such as tax relief, incentives and subsidies, and alternatives or other cost-sharing approaches. This includes considering compatibility with net-neutrality principles, the potential impact on innovation and competition, and the relationship with other forms of digital taxes, as well as the risk of double/over-taxation.

**Session 6 – Digital Inclusion in the Civil Society**

As the world becomes increasingly digital, and new forms of fiscal instrument potentially arise in response, it is vital to consider the issue of digital inclusion – and especially views on this matter from the perspective of Civil Society.

For instance, recent pandemics put into perspective the importance of connectivity to the people and the economy. It is, therefore, vital to consider economic barriers, regulatory measures and fiscal incentives which could help address digital inclusion, including affordability and availability of traditional and digital services.

The objective of this session is to gather information on these issues through the lens of Civil Society, and especially from the perspective of consumers.

**Session 7 – Diversity of fiscal incentives in the world**

The 2011 ITU Workshop on “Taxation of Telecommunication Services and Related Products” examined the desirability of taxing telecommunications services, especially in developing countries, and discussed factors that should be considered in order to strike an appropriate balance between the goals of raising revenues and facilitating economic expansion throughout the telecommunications sector.

That workshop received presentations from countries and ITU members reporting on their experiences with taxation of telecommunications. More than a decade later, there have been outstanding technological innovations and the emergence of new business models and new forms of taxation.

In this context, the objective of this session is to explore some of the various approaches to fiscal instruments that relate to telecommunications/ICT and OTTs in recent years, and considering how these national experiences can support collaboration at the regional and international levels.

**Session 8 – Research perspectives on challenges for the digital transformation**

As the digital transformation advances, featuring in this context the emergence and development of OTTs, new forms of fiscal policy and regulatory apparatus have appeared, each based on different premises for how state intervention can be shaped to address pertinent public policy issues.

Theoretically, these forms of economic and fiscal incentives should be based on their predicted impact on society. In this analysis, there is a space for the technical consideration of several issues that represent common international challenges. These issues may encompass competition and a level playing field, digital divide, macro and microeconomic effects of those state instruments, economic tax burden and others. Eventually, these various conclusions may lead to policy implications and best practices.

This session aims to explore some of these issues through the perspective of independent researchers, focusing on technical points relevant to this debate.

**Session 9 – Closing.**

**Appendix – Background information**

In 2011, ITU held a workshop on “[Taxation of Telecommunication Services and Related Products](https://www.itu.int/ITU-D/finance/work-cost-tariffs/events/tariff-seminars/Geneva_Taxation/Agenda.htm)”, which was organized jointly by the Telecommunications Development Bureau (BDT) and the Telecommunications Standardization Bureau (TSB). The workshop took place prior to the 2012 World Conference on International Telecommunications (WCIT), in preparation of inputs for provisions on taxation matters. This workshop considered the desirability of taxing telecommunication services, especially in developing countries, and discussed factors that should be taken into account in order to strike an appropriate balance between the goals of raising revenues and facilitating economic expansion throughout the telecommunication sector.

The workshop recognized a wider variation in the level of telecommunication taxation across the world. The workshop also received presentations from countries and members reporting on their experiences with the taxation of telecommunications. The workshop recognized the specificality of the telecommunication sector in that it generates externalities, which are relevant for considering taxation but was also aware of the risk of over-taxing the ICT sector, in particular by using tax revenues on ICTs to develop the national ICT infrastructure. The workshop also identified that cross-border activities could be at risk of double taxation, and discussed some principal mechanisms for avoiding it.

Conclusions reached were to prefer simple and uniform tax regimes over regimes that include many special cases or exceptions. Public-private partnerships were felt likely to be the best method to ensure adequate investments in broadband infrastructure; in addition, this could be a better method than imposing excise taxes on telecommunications services and could include financial contributions from operators. It was concluded that governments should think carefully before imposing new telecommunications (or other) taxes, and only do so when there is no alternative way of increasing tax revenue that would be less damaging to the economy in terms of market distortions and negative impacts on economic growth. For the telecommunications industry to yield the maximum benefits as a source of growth, tax authorities, regulatory authorities and operators need to work together. Overall, more research and studies on taxation and the usage of tax revenues for telecommunications were deemed useful.

Since that time, the telecommunication/ICT market has evolved considerably, leading to interest in this topic in the ITU Telecommunication Standardization Sector (ITU-T) – particularly in ITU-T Study Group 3 – and in the ITU Telecommunication Development Sector (ITU-D). New market structures, business models in a data-driven economy for OTTs or over-the-top services and new services and applications have emerged on a massive scale; such over-the-top services and new services and applications are typically provided by “big technology content and service provider companies” and Internet Service Providers (ISPs). Discussions and debates by stakeholders and proponents, who are following to apply the “sending-party-network-pays system” (SPNP), have called for some form of an Internet usage/traffic tax, levies or fees that are attributed to fair, equitable and proportionate cost recovery for the benefit of the telecom service providers, to be imposed to the “big technology content and service provider companies” and to ISPs.

Digital transformation and digitization in many sectors using all-IP platforms and tools, new IP-based applications and services, including those competing with traditional telecommunication communications services, Internet of Things (IoT), cloud computing services, new mobile communication technologies (4G, 5G) and high-speed fibre/optical fixed networks, virtual mobile/network operators, video streaming with video now accounting for way more than half of the Internet protocol bandwidth, sophisticated online gaming applications and real-time, virtual reality applications in a “meta verse”, and a drastic ongoing increase of Internet traffic, are just a few among the many new developments and phenomena that the last decade has unleashed, and which put ambitious technical and economic requirements upon the underlying IP network and transport infrastructure.

Given the acceleration of this phenomena, various political and regulatory discussions are ongoing in several jurisdictions about the modification of the economic and fiscal landscape in response to this digitalisation. Therefore, a new Workshop on these issues would serve as a relevant source of information as the previous one was more than a decade ago.

Various political and regulatory discussions are ongoing in several jurisdictions on the desire to tax OTTs or Big Techs such as by charging content and application providers for the use of the Internet infrastructure.

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