

# Taxing Global Digital Commerce

---

ARTHUR COCKFIELD, WALTER HELLERSTEIN,  
REBECCA MILLAR & CHRISTOPHE WAERZEGGERS



Wolters Kluwer  
Law & Business

# Taxing Global Digital Commerce

Arthur Cockfield  
Walter Hellerstein  
Rebecca Millar  
Christophe Waerzeggers



Wolters Kluwer

Law & Business

*Published by:*  
Kluwer Law International  
PO Box 316  
2400 AH Alphen aan den Rijn  
The Netherlands  
Website: [www.kluwerlaw.com](http://www.kluwerlaw.com)

*Sold and distributed in North, Central and South America by:*  
Aspen Publishers, Inc.  
7201 McKinney Circle  
Frederick, MD 21704  
United States of America  
Email: [customer.service@aspenpublishers.com](mailto:customer.service@aspenpublishers.com)

*Sold and distributed in all other countries by:*  
Turpin Distribution Services Ltd  
Stratton Business Park  
Pegasus Drive, Biggleswade  
Bedfordshire SG18 8TQ  
United Kingdom  
Email: [kluwerlaw@turpin-distribution.com](mailto:kluwerlaw@turpin-distribution.com)

*Printed on acid-free paper.*

ISBN 978-90-411-3652-7

©2013 Kluwer Law International BV, The Netherlands

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without written permission from the publisher.

Permission to use this content must be obtained from the copyright owner. Please apply to: Permissions Department, Wolters Kluwer Legal, 76 Ninth Avenue, 7th Floor, New York, NY 10011-5201, USA. Email: [permissions@kluwerlaw.com](mailto:permissions@kluwerlaw.com)

Printed and Bound by CPI Group (UK) Ltd, Croydon, CR0 4YY.

## Preface

This book is the successor to Richard L. Doernberg and Luc Hinnekens, *Electronic Commerce and International Taxation* (1999) and Richard L. Doernberg, Luc Hinnekens, Walter Hellerstein, and Jinyan Li, *Electronic Commerce and Multijurisdictional Taxation* (2001). As with the initial revision of this book, this revision is published under a new title – *Taxing Global Digital Commerce* – to reflect the significant changes that have been made to the content of the earlier volumes. In addition to revising and updating much of the earlier material, the successor edition expands the coverage of the original book, reorganizes its presentation, and adds several new chapters.

In recognition of the many significant changes to the consumption tax rules for cross-border transactions, the VAT sections of the book have been completely replaced, with a new section on basic principles in Chapter 3 and new Chapters 5 and 6. Chapter 5 critically analyses the OECD work on e-commerce in particular and cross-border VAT rules more generally. Chapter 6 compares different approaches to the legal design of VAT place of taxation rules, illustrating the comparison through a number of basic e-commerce examples. A new Chapter 7 is devoted to the United States retail sales tax (RST) and includes an analysis of the consumption tax issues raised by cloud computing. Finally, as its title suggests, this volume expands the focus of the earlier volumes, which focused primarily on the ‘law’ as it relates to e-commerce, to take a broader look at the relationship between tax law and technology in the digital age. Chapters 9 and 10 in particular extend the analysis from the earlier editions to see whether any general lessons can be learned about this relationship. The study of the relationship between taxation and technology change is a relatively new phenomenon, and we recognize that our book does not provide a complete picture. Nevertheless, we hope that it provokes on-going discussions of this important relationship to gain a clearer understanding of the ways that technology provokes tax policy changes and facilitates administration by tax authorities and compliance by taxpayers.

We are grateful to Kluwer Law International for its support of this project and, in particular, to Lijntje Zandee for her endless patience. We would also like to thank David Tillinghast and Kees van Raad for contributions to the earlier volumes that are still reflected in this book, and Howard Abrams for his review of those volumes. We are

also grateful for the helpful research assistance provided for this edition by Muhammad Abbas, Queen's Law Ph.D. candidate, and Guanru Liu, Queen's Law LL.M.

Arthur J. Cockfield  
Walter Hellerstein  
Rebecca Millar  
Christophe Waerzeggers  
31 May 2013

# Table of Contents

Preface	xix
PART I	
Introduction and Overview	1
CHAPTER 1	
Introduction	3
§1.01 The Growth of Global E-Commerce and Corresponding Tax Challenges	3
§1.02 Evaluating Tax Law and Technology Change	5
[A] Examining the Impact of Technology Change on Cross-Border E-Commerce Tax Laws	5
[B] Regulating Technology Change for Tax Purposes	7
§1.03 Outline of Book	8
CHAPTER 2	
Technological Change and E-Commerce	11
§2.01 Background	11
§2.02 Description of the Internet and World Wide Web	12
§2.03 Digitization	13
§2.04 Development of the Hardware Infrastructure	13
§2.05 Software Infrastructure	14
§2.06 Technical Aspects of the Internet	15
[A] Protocols	16
[1] High Layer Protocols	16
[2] Low Layer Protocols	17
[B] Routers	17
[C] Client/Server Architecture and Cloud Computing	17
[D] World Wide Web	19
§2.07 E-Commerce	20
[A] Efficiency-Enhancing Impact	20

	[B] Payment Systems	22
	[C] Security Issues	24
§2.08	Tax Implications of the Hardware and Software Infrastructure of the Internet	26
	[A] Global Forum	27
	[B] Digital Goods, Services, and Intangibles	29
	[C] Anonymity	31
	[D] Rapid Evolution	32
	[E] The Nature of Cyberspace	33
CHAPTER 3		
	International Tax Framework	35
§3.01	Guiding Principles of International Tax Policy	35
	[A] Neutrality	35
	[B] Equity	36
	[C] Inter-Nation Equity	37
	[D] Administrative Efficiency	38
	[E] Non-discrimination	38
	[F] Other Guiding Principles	39
§3.02	Sources of International Tax Rules	39
	[A] Domestic Law	39
	[B] Treaty Law	40
	[C] European Union Law	41
§3.03	International Income Tax Framework	43
	[A] Jurisdiction to Tax Income: Residence and Source	43
	[B] Residence	44
	[1] Individuals	44
	[2] Corporations	44
	[C] Source Jurisdiction	45
	[1] Historical Background	45
	[2] Source Rule for Business Income	47
	[3] Source Rule for Services Income	48
	[4] Source Rule for Capital Income	48
	[D] Division of Income	49
	[1] Arm's Length Principle	49
	[2] Formulary Apportionment	50
	[a] The Apportionable Tax Base	51
	[E] Double Taxation: Causes and Methods of Relief	52
	[1] Causes of Double Taxation	52
	[a] Residence-Source Conflicts	52
	[b] Residence-Residence Conflicts	53
	[c] Source-Source Conflicts	53
	[d] Inconsistent Views of the Relevant Facts	53
	[e] Inconsistent Attribution Rules	53

	[2] Methods of Relief	54
[F]	Relief of Double Taxation Provided Through Tax Treaties	54
	[1] Dual Residence	55
	[2] Classification and Assignment of Income	55
	[3] Uniform Source Rules	55
	[4] Uniform Classification of Facts	56
[G]	Avoidance of Taxation	56
	[1] Overview	56
	[2] Transfer Pricing	57
	[3] Anti-tax Haven Measures	57
	[a] 'Tax Havens'	57
	[b] Controlled Foreign Corporations	58
	[c] Foreign Investment Funds	58
	[4] Harmful Tax Competition	58
	[5] International Tax Evasion	59
§3.04	International Consumption Tax Framework	60
[A]	VAT/GST and Other Terminology Issues	62
[B]	Basic Design Features of Value Added Taxes	62
[C]	Assertion of Jurisdiction to Tax Consumption	65
	[1] Substantive Jurisdiction and Enforcement Jurisdiction	65
	[2] Substantive Jurisdiction to Impose VAT	66
	[3] Destination and Origin as Justifications For Taxing Consumption	67
	[a] The Destination Principle	68
	[b] The Origin Principle	68
	[c] Supplier Location Contrasted with the Origin Principle	69
	[d] Origin and Destination Contrasted with Source and Residence	71
	[e] Why the Destination Principle?	73
[D]	Implementing the Destination Principle	75
	[1] Connecting Consumption to the Taxing Jurisdiction	75
	[2] Identifying the Destination of a Supply	76
	[3] The Influence of VAT Design Features on Jurisdictional Rules	79
	[a] VAT as an Indirect Tax on Consumption	79
	[b] VAT as a Multi-stage Transaction Tax	81
	[c] VAT as a Retail Sales Tax	82
	[d] The Effect of Exemptions	84
	[e] Drop Shipments, Round-Tripping, Rights, etc.	86
§3.05	Comparing International Income Taxes and Consumption Taxes	88



PART II	
Applying Current Tax Rules to E-Commerce	91
CHAPTER 4	
Applying Cross-Border Income Tax Rules to E-Commerce	93
§4.01 Overview	93
§4.02 Applying Tax Rules to Cross-Border Business Profits	94
[A] E-Commerce Hypothetical	94
[B] Problems Presented	95
[1] Where Is Income Generated	95
[2] What Costs Are Attributable to Includible Income	97
[3] Enforcement Concerns	98
[C] National Law	99
[1] United States	100
[2] Canada	107
[D] Treaty Law	112
[1] Traditional Permanent Establishment Rule	112
[2] OECD Global E-Commerce Reforms and Guiding Principles	115
[3] The Server/Permanent Establishment Rule	117
[4] Attributing Profits to a Server	123
[5] Government Reactions to Server/PE Rule	127
§4.03 Applying Tax Rules to Cross-Border Services	133
[A] Problems Presented	133
[1] Service versus Other Types of Income	133
[2] What Are Services?	135
[3] Where Are Services Rendered?	136
[B] National Law	137
[1] United States	137
[2] Canada	141
[C] Treaty law	144
[1] Independent Services	144
[2] Employee Services	146
§4.04 Applying Tax Rules to Cross-Border Royalties	150
[A] Problems Presented	150
[B] National Law	150
[1] United States	150
[2] Canada	154
[C] Treaty Law	158
[1] Traditional Treaty Rules	158
[2] OECD Reforms	163
§4.05 Applying Traditional Residence Rules to E-Commerce	166
[A] Problems Presented	166
[B] National Law	167

	[C] Treaty Law	168
§4.06	Transfer Pricing	170
	[A] Problems Presented	171
	[B] National Law	175
	[1] United States	175
	[C] Treaty Law	177
§4.07	Controlled Foreign Corporations	180
	[A] Problems Presented	183
	[B] National Law	184
	[C] Treaty Law	186
§4.08	Taxing Apple: A Case Study	186
	[A] Setting up Foreign Subsidiary in Low Tax Jurisdiction for Digital Sales	188
	[B] Using Commissionaires to Sell in Overseas Markets	188
	[C] Shifting Profits to Low Tax Countries	188
	[D] Taking Advantage of Research and Development Tax Breaks	189
APPENDIX A		
	Select Government and OECD E-Commerce Tax Policy Reports	190
CHAPTER 5		
	The OECD and the Emerging Consumption Tax Discourse	193
§5.01	Sources of Cross-Border VAT Discourse	193
§5.02	The Emergence of the OECD in International VAT Discourse	196
	[A] Turku Round Table Discussion: 1997	197
	[B] OECD Ministerial Meeting in Ottawa: 1998	199
	[C] Post-Ottawa Agenda	201
	[1] Report of the Consumption Tax TAG	202
	[a] Overriding Principles	202
	[b] Place of Consumption for B2C Supplies	202
	[c] Place of Consumption for B2B Supplies	203
	[d] Collection Mechanisms	203
	[e] Comments	204
	[2] Report of the Technology TAG	205
	[a] The Self-Assessment Option	206
	[b] The Registration Option	206
	[c] The Tax at Source and Transfer Option	207
	[d] The Trusted Third Party/Clearinghouse Option (Alone or in Combination with the Tax at Source and Transfer Option)	207
	[e] Verification of Taxing Jurisdiction	208
	[f] Comments	208
	[3] Implementing the Ottawa Taxation Framework Conditions	209

	[a] Place of Taxation for Goods	211
	[b] Limiting the Guidelines to Intangible Services	211
	[c] Suggested Place of Taxation Guideline for B2B Supplies of Services	214
	[d] Suggested Place of Taxation Guideline for B2C Supplies of Services	215
§5.03	OECD Developments: 2001 to 2006	217
	[A] Consumption Tax Guidelines and Guidance	217
	[B] Report from the Consumption Tax TAG	219
	[C] Progress 2004–2005	220
§5.04	The International VAT/GST Guidelines (2006 to 2013)	222
	[A] 2008 Consultation Papers	224
	[1] The First Consultation Document	225
	[2] The Second Consultation Document	228
	[B] Draft Consolidation of the International VAT/GST Guidelines	230
§5.05	OECD: 2013 and Beyond	231
§5.06	Global Forum on VAT	232
CHAPTER 6		
	Applying Cross-Border VAT Rules to E-Commerce	235
§6.01	The Legal Design of VAT Jurisdictional Rules	236
	[A] Approaches to the Design of Place of Taxation Rules	236
	[B] Meaning of Words and Concepts	238
	[1] Value Adding Activities	238
	[2] Taxable Supply	240
	[3] Categories of Commodities and Supplies	242
	[4] Place of Supply Compared with Place of Taxation	244
	[5] Exemptions	247
	[C] The EU VAT Directive	247
	[1] Background	247
	[2] Basic Place of Taxation Model in the EU	253
	[D] The New Zealand Goods and Services Tax	257
	[1] Background	257
	[2] Basic Place of Taxation Model in the New Zealand GST	258
	[3] Refunds to Non-residents	260
	[E] The Australian Goods and Services Tax	262
	[1] Background	262
	[2] Basic Place of Taxation Model in the Australian GST	264
	[a] Supplies That Are ‘Connected with Australia’	265
	[b] GST-Free Treatment of Outbound Supplies	266
	[c] Who Is Liable to Pay the GST?	267
	[d] Input Tax Credit Rules	268
§6.02	Application of VAT to Cross-Border E-Commerce Involving the Physical Supply of Goods	268

[A]	Example 1: Online Sale of Goods	268
[B]	The European Union	269
[1]	Supply of Goods Inbound to the EU	270
[a]	Place of Supply	270
[b]	VAT on Imports	270
[c]	Application to Example 1: Inbound Goods	272
[2]	Supply of Goods Outbound from the EU	275
[a]	Place of Supply	275
[b]	Exemption of Exports (with Credit)	275
[c]	Application to Example 1: Outbound Goods	275
[3]	Goods Supplied from One Member State to Another	276
[a]	Place of Supply, Including Distance Selling Rules	276
[b]	Intra-Community Supply and Acquisition (B2B)	277
[c]	Application to Example 1: Within the EU	279
[4]	Comment on the EU Rules	281
[C]	New Zealand	282
[1]	GST on Supplies of Goods	282
[a]	Place of Supply: Are the Goods Supplied in New Zealand?	282
[b]	Is the Supply Zero-Rated?	284
[c]	Application to Example 1: Inbound Goods	285
[d]	Application to Example 1: Outbound Goods	286
[e]	Variations	287
[2]	GST on Importations of Goods	287
[3]	Comments on the New Zealand Place of Taxation Model for Goods	290
[D]	Australia	290
[1]	GST on Supplies of Goods	290
[a]	'Connected with Australia'	291
[b]	GST-Free Supplies	291
[2]	Application to Example 1: Inbound Goods	292
[3]	Application to Example 1: Outbound Goods	296
[4]	Comments on the Australian Place of Taxation Model for Goods	297
\$6.03	Application of VAT to Cross-Border E-Commerce Involving Digital Supplies	297
[A]	Examples	298
[1]	Example 2: Download of an E-Book	298
[2]	Example 3: Online Services	298
[3]	Example 4: Newspaper Subscription	299
[4]	Example 5: Global Roaming	299
[B]	The European Union	300
[1]	Notion of 'Services'	300
[2]	Place of Supply of Services	302

	[a]	General Rules	302
	[b]	Particular Provisions	306
		[i] Place of Supply for Electronically Supplied Services	306
		[ii] Place of Supply for Telecommunications Services	307
		[iii] New approach from 1 January 2015	308
	[3]	VAT Collection Mechanism	312
	[4]	Zero-Rating of Outbound Services	313
	[5]	Application to Example 2: Download of an E-Book	313
	[6]	Application to Example 3: Online Services	316
	[7]	Application to Example 4: Newspaper Subscription	317
	[8]	Application to Example 5: Global Roaming	321
		[a] B2B Supplies	321
		[b] B2C Supplies	324
		[c] Other Complex Issues: Complex Supply Chains, Mobile Money, and Pre-paid Telecommunications Supplies	325
[C]		New Zealand	331
	[1]	Absence of Special Rules for Electronically Supplied Services	331
	[2]	Place of Supply	331
	[3]	Zero-Rating	332
	[4]	Tax on Imported Services	334
	[5]	Special Rules for Travel Agents	337
	[6]	Application to Example 2: Download of an E-Book	338
	[7]	Application to Example 3: Online Services	341
	[8]	Application to Example 4: Newspaper Subscription	343
	[9]	Special Rules for Telecommunications	344
	[10]	Application to Example 5: Global Roaming	345
	[11]	Comments on the New Zealand Place of Taxation Model for Services	347
[D]		Australia	348
	[1]	Absence of Special Rules for Electronically Supplied Services	349
	[2]	'Connected with Australia'	349
		[a] Through an Enterprise Carried on in Australia	350
		[b] The Thing Is Done in Australia	350
		[c] Who Is Liable to Pay the GST?	352
	[3]	GST-Free Supplies for Consumption outside Australia	352
	[4]	Tax on Imported Services	354
	[5]	Comments on the Australian Place of Taxation Model	354
	[6]	Application to Example 2: Download of an E-Book	355
	[7]	Application to Example 3: Online Services	361

	[8] Application to Example 4: Newspaper Subscription	364
	[9] Special Rules for Telecommunications	364
	[10] Application to Example 5: Global Roaming	365
§6.04	A Brief Note on Hotel Accommodation	371
CHAPTER 7		
	Applying the United States Retail Sales Tax to Cross-Border E-Commerce	375
§7.01	US State and Local Sales Tax: Overview	375
	[A] General Nature of US Subnational Retail Sales Tax	376
	[1] Overall Structure of Sales Tax	377
	[2] The Exclusion of Services from the Sales Tax Base	378
	[3] The Inclusion of Business Purchases in the Sales Tax Base	379
	[B] Harmonization and the US State and Local Sales Tax	381
	[1] Historical Diversity in State Sales Tax Regimes	381
	[2] Efforts to Harmonize State and Local Sales Tax Regimes	383
	[3] The Streamlined Sales Tax	385
	[4] The Streamlined Sales and Use Tax Agreement (SSUTA)	387
	[a] Purpose and Scope	387
	[b] Structure	387
	[i] Tax Base Simplification	388
	[ii] Tax Rate Simplification	389
	[iii] 'Place of Taxation' or 'Sourcing' Rules	389
	[iv] Administrative Simplifications	391
	[v] Consumer Privacy	391
	[vi] Governance	392
	[C] Application of Sales Tax to Multijurisdictional Transactions	392
	[1] Place of Taxable Transactions	392
	[a] Taxation of Goods	392
	[b] Taxation of Services	392
	[2] Federal Constitutional Restraints on State Sales Taxation of Multijurisdictional Transactions	394
	[a] The States' Incompetence to Tax Interstate Sales and the Development of Complementary Use Taxes	394
	[b] Constitutional Restraints on the States' Power to Require Out-of-State Vendors to Collect Use Taxes on Interstate Sales	396
	[3] Summary of Use Tax Applications to Interstate and International Transactions	399
	[D] Summary Comparison of the VAT to the US Retail Sales Tax (RST)	401
	[1] Taxation of Services	401
	[2] Taxation of Business Inputs	401
	[3] Concept of 'Taxable Person' and 'Taxpayer'	402

	[4] Harmonization of Consumption Tax Regimes: The EU and the US	402
§7.02	US State And Local Sales Tax: Cloud Computing	403
	[A] What Is Cloud Computing?	403
	[1] Cloud Computing and State Sales Taxation: Preliminary Caveats	405
	[B] Sales and Use Taxation of Cloud Computing	406
	[1] Jurisdiction to Tax the Parties to the Transaction: Nexus	407
	[a] Purchaser's Nexus	407
	[b] Provider's Nexus	408
	[i] Internet Tax Freedom Act	408
	[c] State Guidance	409
	[2] Taxability	411
	[a] Tangible Personal Property, Service, or Intangible?	411
	[i] Historical Background: Taxation of Software	411
	[ii] Distinguishing between Sales of Tangible Personal Property and Sales of Services in the Cloud Computing Context	413
	[iii] Cloud Computing as Canned/Prewritten Computer Software	415
	[iv] Cloud Computing as a Taxable/Non-taxable Service	415
	[b] Does Cloud Computing Involve a Taxable 'Sale' or 'Use'?	418
	[c] Where Does the Sale or Use Occur?	419
	[i] Location of the Server	420
	[ii] Location of the User	421
	[C] Conclusion	423
§7.03	Information Provider Hypothetical	424
	[A] Does the State C Sales Tax Base Include the Services Sold by S Corp. to C?	425
	[B] Does the State C Use Tax Include the Services Sold by S Corp. to C?	425
	[C] Does S Corp. Have Constitutional Nexus with State C So That State C May Require S Corp. to Collect the State C Use Tax Due from C on C's Use in State C of the Services Sold to C by S Corp.?	427
	[1] Does the Alleged Physical Presence in State C of Third Party ISPs or Telecommunications Companies with Whom S Corp. Deals Create 'Attributional Nexus' over S Corp., Even If S Corp. Itself Lacks Physical Presence in State C?	429
	[D] Would the Foregoing Analysis Change If S Corp. Were Established in State S Rather than Country S?	434

[E]	What Impact Does the Internet Tax Freedom Act Have on State C's Power to Tax S Corp.'s Sale of Services or Goods over the Internet to Consumers in State C?	434
[1]	Taxes on Internet access	435
[2]	Discriminatory Taxes on Electronic Commerce	436
[a]	Out-of-State Servers May Not Create Nexus	437
[b]	Internet Access Providers May Not Create Nexus over Remote Sellers Based on the Remote Seller's Use of Internet Access Provider's Server	439
[3]	Multiple Taxes on E-Commerce	440
[4]	Bundled Services	441
§7.04	Office Furniture Trading Hypothetical	441
[A]	Would S Corp. Have Nexus in State C if S Corp.'s Website Were Hosted on a Server in State C?	443
[B]	Would S Corp. Have Nexus in State C If It Established a Distribution Centre in State C?	443
[C]	Nexus Through Related Corporations: Would the Result Be Different If S Corp. Had a Subsidiary (DC-C Sub) That Was Physically Present in State C?	444
[1]	General Rule for Personal Jurisdiction	444
[2]	Application of General Jurisdictional Principles to the Question of Whether a Remote Vendor Has Nexus with the State for Use Tax Collection Purposes	444
[D]	Would S Corp. Have Nexus in State C If It Enlists State C Residents to Market S's Products through Links on the Residents' Websites?	447
[E]	What Are the Implications of S Corp.'s Internet Sales of Furniture That Is 'Drop Shipped' to Customers in State C by Affiliates with Nexus in Texas?	452
§7.05	E-Car Global Design AG Hypothetical	455
[A]	Does the State C Sales Tax Base Include the Services Sold by S-H Corp. to C Corp.?	455
[B]	Does the State C Use Tax Include the Services Sold by S-H Corp. to C?	455
[1]	Will S-H Corp.'s Sale of Services to C Corp. Be Exempt as a Sale for Resale?	456
[C]	Does S-H Corp. Have Constitutional Nexus with State C So That State C May Require S-H Corp. to Collect the State C Use Tax Due from C Corp. on C Corp.'s Use in State C of the Services Sold to C Corp. by S-H Corp.?	457
[1]	Would C Corp. Be Required to Self-Assess a Use Tax under a 'Direct Pay' Permit	457



[D]	Would the Foregoing Analysis Change If S-H Corp. Were Established in State S Rather than Country S?	458
PART III		
	Evaluating Tax Law and Technology Change	459
CHAPTER 8		
	Policy Approaches	461
§8.01	Introduction	461
§8.02	Starting Point: How to Share Revenues	462
§8.03	Taxation Based on Source	463
	[A] Status Quo	463
	[B] Enhanced Source State Taxation	464
	[C] Adapting the Permanent Establishment Concept	466
	[D] Increased Reliance on Source State Withholding	469
§8.04	Taxation Based on Residence	472
	[A] Status Quo	473
	[B] Enhanced Residence-Based Taxation	473
	[C] Company Residence Based on Other Criteria	474
	[D] Full Integration: Taxing Shareholders on Income Earned through Corporations	475
§8.05	Characterization of Income	475
	[A] Categories of Income	475
	[B] Consistent Source Rules	477
§8.06	Formulary Apportionment	477
§8.07	Transactional Taxes	479
§8.08	Policies Dealing with Disappearing Taxpayers	480
§8.09	Administration and International Cooperation	483
CHAPTER 9		
	Evaluating Tax and Technology Change	487
§9.01	Introduction	487
§9.02	Evaluating Law and Technology Change	488
§9.03	Focus on Preservation of Traditional Values	490
	[A] Surveys and Empirical Research as Reality Checks	490
	[B] Letting the Market Solve Tax Challenges	491
	[C] Applying Neutral Tax Treatment	492
	[D] Preserving Taxpayer Privacy	493
	[E] Encouraging Technology Diffusion	497
§9.04	Usage and Development of Effective Institutions and Institutional Processes	498
	[A] Respecting Tax Sovereignty	498
	[B] Leveraging Traditional Institutions	500
	[C] Need for Adaptive Efficiency	501