Abstract—The acceleration of technological development, with e-commerce has become a tool that is effectively used by many people. The web based transactions with e-commerce cause to extend the scope of actives and make possible to shop everywhere where internet access is available including international area. At this point, the web based transactions with e-commerce caused the area of operations extensive as national and international. This situation also makes it difficult to determine the limits of power of taxation definitely. Various arrangements about such transactions how in terms of taxation about corporate tax, income tax and VAT and is subjected to tax regime are made by OECD and EU. While OECD has been working on income tax, corporation tax and VAT, it is seen that, EU is focused on VAT by using directives and try to provide union.

In Turkey e-commerce taxation can't be taken under control yet, which is also connected with informal economy that is such a big economical problem. In this study; arrangements about e-commerce taxation in both national and international area will be examined in accordance with the principle of residency and source and connection of informal economy and lack of e-commerce taxation in national and international area will be mentioned shortly.

Keywords—E-commerce, Residency, Taxation, VAT.

I. INTRODUCTION

Globalization phenomenon, which leads to the disappearance of economic borders constitutes interactions between national tax systems. At this point the importance of e-commerce; is the trading form which performed by the buyer and the seller in electronic media without direct contact with each other. With rapid technological developments in E-commerce, states have started to make efforts to solve the problems that arise and control e-commerce. In activities taking place in the electronic media, the product tracking is very difficult. At this point, goods and services which are subject to e-commerce can be double discriminated as digital and physical. Since an invoice is drawn up and given to the consumer during the delivery of physical goods and services, its taxation and control is easy.

However, also since the delivery of digital goods and services take place electronically after the orders made electronically, difficulties are experienced in taxation. Although e-commerce and normal commerce use the same methods of taxation, due to the differences arising from the structure of e-commerce, some issues are emerging regarding the taxation of e-commerce.

II. PROBLEMS REGARDING THE E-COMMERCE TAXATION

A. Evaluation in terms of Determination of Liability

Regarding the revenues from e-commerce activities, there are problems about which countries the taxation authorization belong to. At this point, initially all the problems that occur will be listed within main headings, then the definition of taxation authorization and the principles used in determining the limits of this authorization will be referred briefly and so the issues will be discussed in this context. The most important of these problems is determining the liability of natural persons or legal identities, so the problems regarding the issue can be listed briefly as follows:

- Computer servers hosting the website include differences in taxation position with regard to the "web server" countries.
  • How will we identify the location of a web page? As the place where the web page on the customer's computer is seen or as the place where the server which sends the software is located?

- How will the place in which a transaction is completed be considered?
  • Is it the moment at which the web page is transmitted by the server or is it the moment at which the customer sends the URL and thus enables the automatic sending of the page from a remote server?

  • The need for changes in the law in terms of recognition of the evidences obtained through electronic media.

  • The need for new control methods and techniques, since electronic commerce is likely to complicate the tax audit.

B. Definition of Taxation Authorization and the Evaluation of E-Commerce in This Context

Taxation authorization; is the power which takes its source from sovereignty power and which is limited by time and space in which the exists. The state can use its taxation
authority on the tax issues and obligations which are only under its sovereignty. Both international and contemporary tax systems, two basic approaches for the taxation of income have been accepted. These are the source and residence principles.

Residence principle depends on the principle that a person's worldwide incomes are collected and taxed in the country the person resides. Source principle depends on the principle that the income is taxed directly or by the place it was earned. The object here is not the person but the income. In natural person, liability is determined based on the residence principle. Thanks to the opportunities provided by technology, without residing in another country, it is possible to offer services via internet in that country.

Therefore, liability application in natural persons depending on the residence criteria by residence in natural persons has lost its former importance. According to the OECD Model Tax Convention, the basic approach in e-commerce is permanent establishment and it depend on the principle that of the existing tax treaties of the work place clause will be adapted to e-commerce. In terms of taxes on income in e-commerce, there are some challenges for the definition of a permanent workplace.

As a result of the interviews, by making some changes made in the fifth article of the OECD Model Tax Convention, the issue has been clarified. Accordingly, under certain circumstances, the web server should be considered as a workplace and also the server for a certain period should be located in the country in which the sales are done. This time varies according to the tax laws of different countries. One of the conditions required for taxation is that the company's transactions which are carried out through the website to be considered as the main activity of the company. If it is evaluated generally, in case the workplace is located in a foreign state, the taxation will be done by the source state there. In cases where the workplace is not present, the taxation will be done by the residence state.

III. VAT IMPLEMENTATION IN E-COMMERCE AND TAXATION RIGHT

The problems which occur in VAT implementation with regard to e-commerce activities are often related to the personalities those who become a party to the transactions and to the nature of the work. This case, although not posing a problem in the transactions carried out within the borders of Turkey from a legal perspective, it creates problems in the international delivery of goods and services performances. Certain legal and practical problems, particularly in the trade of digital goods and services are experiencing. During the implementation of such goods and service trades via electronic media, collecting VAT on the current transactions creates difficulties in technical terms.

The vast majority of the transactions which are carried out via e-commerce are realized between companies. In intercompany transactions between foreign firms known as Reverse-Charge process, VAT is reflected to the customers. The main rule in service performances is that the VAT to be taken belongs to the country where the service consumption is done. If the subject is evaluated in terms of national; in the case any digital product that has an economic value is sent to Turkey from a foreign country, the determination and taxation of the product by the tax authority is quite difficult. In the process related to the final consumers, it is almost impossible that the tax administration be aware of the existence of the transactions which are subjected to the digital products. And in the case that the purchasing of the digital product is carried out by an institution, VAT should be declared and paid by this institution that is responsible for the taxes.

This principle which is valid in the EU countries has been differentiated in terms of the VAT rate which will be applied beginning from 1 January 2015. Producers who performs the sales of digital products will determine the VAT rate depending on that the customer they sell their products is whether a member of a music, movie or software union or not and looking at the nationality of the customer. From 1 January 2015, all telecommunications, broadcasting and electronic services will become taxable at the place where the customer belongs (unless the rule on effective use and enjoyment applies) even if the customer is non taxable person.

Therefore, for these services supplied ton taxable persons, EU and non-EU suppliers will have had to register for VAT purposes and comply with the relevant obligations of the Member State where the customer is established, has his/her permanent address or usually resides. Under the OECD principles on the taxation of e-commerce as agreed in 1998 in Ottowa, consumption taxes (such as VAT) should result in taxation at he place where consumption taxes place.

IV. RELATIONSHIP BETWEEN INFORMAL ECONOMY AND E-COMMERCE

Revenue administration may lose tax due to the absence of a clear determination of the event which gives rise to tax at the e-commerce transactions in our country as well as in other countries of the world. This problem arises in the delivery of digital products. With the aim of reducing informality and developing formal economy, the subject can be evaluated by benefiting from the card payment systems. In the transactions which are performed within the country, because payments are done in the form of credit card or bank transfer, although the customer information are kept secret in the banking and financial services, banks have a system to show where and how much expenditure were made by each customer. At this point credit cards step in and make e-commerce reliable, as well as prevent money laundering by providing a follow-up for the money in the system and provide the transactions to become registered. Hence, functioning as a kind of virtual money, credit cards can help keeping track of the transactions through e-commerce.

V. CONCLUSION

Electronic commerce which is one of the most important economic developments of the last period has led to drastic changes in all areas of life. Surely internet is the leading of these technological innovations. With the developments within the internet world, individuals have become able to do their
jobs through this channel.

A significant part of the problems that arise in the taxation of e-commerce is that the existing tax regulations are based on geographic dependence but on the other hand that the e-commerce does not include any dependence to a place in a physical sense.

Another problem is that the place where the income is earned and the intricacies about the determination of full obligation and tax assessment. These can be solved if countries mutually agree and reach a common view. The view which is accepted internationally is taxing e-commerce according to the existing laws and regulations.

At this point of the process, the principles set out by the OECD on the issue of taxation of e-commerce still remain valid. The basic approach about the tax treaties based on the OECD model is that the taxation of the state of residence is virtual and the taxation of the state of source is secondary. For a rapid improvement in the solution of problems in this regard is only possible by the realization of a comprehensive cooperation at international level.

REFERENCES