

DIGITAL TRANSFORMATION:

RETHINKING REGULATION

Digital Day, Accountancy Europe

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Digital transformation and regulatory implications

Dramatic changes in the economics of information

Collapsing cost of collecting, treating disseminating data

Allows final consumers to get so much closer to the production site

Falling search costs

Breaking down barriers to entry

Fixed costs of production slashed

Value of historical distribution networks undermined

Creating entirely new products

In key markets, really new products introduced

Digital product versions have substantially different product characteristics

Three key regulatory objectives

Encourage innovation and widen consumer "space"

Create a level playing field between products and players across borders and firms

Keep an eye on underlying objectives such as consumer protection and confidence in market integrity

Five examples from our line of work

B2C digital services

in EU)
Consumer tax
key issue (VAT

Destination
principle
laudable
principle but...

...not realistic
with small,
non-repeated
sales supplied
across the
globe

Media markets

Old days: private
print press, public
real time radio/tv

Today: meeting
at the middle, on
demand
electronic
platforms

Cross-border
challenges in
advertisement
revenues

VAT and public
service policy out
of sync

Financial services

Old days:
customer went to
physical branch,
all info into a
book

Today: front line
customer
service/ back
office functions
increasingly
delivered from
any location

Exploding
leakage rates of
local tax and
regulation

Auditing

Old day: Time
consuming, on
site, physical
examination

Today: e-tools
lead to massive
savings of
manhours

Rethinking
regulation fx
external audit
requirements for
SMEs

Lower
compliance costs
and more need
for forward
looking data fx
CMU driven

Competition law

co-existence
of physical
and e-based
products and
distribution
channels

Challenges
the concept
of what is a
product and
a
geographical
market

The way forward: substance over form

Now

Regulation often industry based

Hence cover traditional suppliers (a bank, a newspaper, a..)

Proposed direction

Be clear about the underlying purpose

Focus on the function not what industry is providing the service

Avoiding regulatory arbitrage more important

Key policy areas and industries

Taxation of products

Consumer protection legislation

Financial services and the professions!

Relevant studies from Copenhagen Economics

- Effects of VAT-exemption for financial services in Sweden
- Wage tax on a rapidly changing Swedish financial sector
- Why and how to apply VAT to financial services
- Economics effect of online marketplace bans
- E-commerce imports into Europe: VAT and customs treatment
- Simplifying and modernising VAT in the digital single market
- Competitive impact of four online services recently launched by the Swedish public service broadcaster (in Swedish)