

CAP Forum on E-Business

E-Commerce and Tax Planning: Canadian Experiences*

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ABSTRACT

This paper explores the deployment of e-commerce by Canadian firms in the global marketplace, with an emphasis on the implications of e-commerce for tax planning. The business press and various government task forces have discussed challenges raised by e-commerce for traditional “source-based” tax systems; however, these discussions have presented little evidence of firms’ reliance on e-commerce for tax-planning purposes. Similarly, academic research has seldom examined whether firms’ decisions to implement e-commerce are by tax-planning considerations.

It is thus largely unknown whether firms actively consider taxation issues when evaluating e-commerce, how the factors that have been identified as influencing decisions to implement e-commerce systems are balanced against tax-planning considerations, and what barriers might exist in practice to using e-commerce for tax planning. We choose a qualitative interview-based approach to explore these issues.

Our findings suggest that tax planning is not considered by most of our respondent companies in their decisions to deploy e-commerce. The companies we interviewed tended to implement e-commerce over several years, starting with back-office technologies like enterprise resource planning (ERP) systems. Accordingly, the ability to perform online sales transactions, which is a key component of using e-commerce for tax planning, often was not yet in place. One implication of these results is that if concerns over tax revenue losses are realistic, tax policymakers may have some time to refine tax legislation to address the challenges raised by e-commerce.

Keywords Canada; Electronic commerce; Income tax planning; Small business

N.B. Le condensé française de l’article qui suit commence à la page 283.

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This paper qualitatively explores whether and how Canadian firms deploy electronic commerce (e-commerce), and particularly the link between e-commerce and tax planning. There has been much discussion in the business press concerning the difficulties created by e-commerce for traditional “source-based” tax systems, with suggestions that international income allocation methods for tax purposes will have to be fundamentally altered to address the differences created by sales over the Internet. Task forces of the Organisation for Economic Co-operation and Development (OECD) as well as of countries such as Canada and the United States have investigated how current taxation legislation might need to be changed to respond to the challenges raised by e-commerce. However, given the scarcity of evidence on the actual use of e-commerce for tax planning, these discussions have been largely speculative.

Prior empirical research and commentaries provide little evidence on the importance of tax planning in firms’ decisions to deploy e-commerce. Accordingly, it remains largely unresolved how the factors that have been identified as influencing decisions to implement e-commerce systems are balanced against tax-planning considerations, whether firms even actively consider tax issues in evaluating e-commerce, and what barriers might exist in practice to using e-commerce for tax planning. Given the paucity of research in the area of e-commerce and income tax planning, we choose a qualitative interview-based approach to examine the role of tax planning in e-commerce decisions and its interplay with other determinants of e-commerce deployment. This approach is well suited for exploratory research, and we summarize the results to suggest factors to consider when conducting further quantitative research in the area, and to outline tax policy implications for Canadian policymakers and regulators.

The Canadian economy is an interesting setting in which to study the intersection of e-commerce and income taxation. In 2002, Canadian online business-to-business (B2B) sales constituted about 73 percent of sales over the Internet (Statistics Canada, 2003), relative to a global average of about 80 percent (Regan, 2002). Statistics Canada estimates that nearly \$10 billion in online B2B orders were made in 2002 in the Canadian private sector, an increase of 28 percent from 2001. Although this is only a very small proportion of total sales, the growth rate is rapid, with total online B2B and business-to-consumer (B2C) sales having tripled in dollar value in Canada since 1999. Canada has an information and communications technology infrastructure conducive to the deployment of e-commerce (OECD, 2002), and the majority of Canadian online sales are made to foreign markets. This latter point implies that there is potential for the use of e-commerce to reduce domestic tax payments by firms creating permanent establishments in lower-tax nondomestic jurisdictions and paying tax in those jurisdictions, rather than exporting products from Canada and being taxed on this income at domestic rates. We will elaborate on the issues involved in using e-commerce for tax-planning purposes later in this paper.

Although various studies have considered issues related to consumption taxes (such as the goods and services tax [GST]) both in Canadian and in international settings (e.g., Goolsbee, 2000; Li, 2003), few studies have examined the potential effects on the payment of income taxes. The focus on consumption taxes has also led to greater emphasis on B2C e-commerce, but the majority of e-commerce sales occur in the B2B arena (Statistics

Canada, 2003). We accordingly choose to consider both B2C and B2B e-commerce and their implications for tax planning.

Our analysis is based on interviews with a cross-section of Canadian businesses to provide a detailed understanding of the organizational context surrounding the deployment of e-commerce, the technologies being used, the motivations underlying deployment, and current efforts to use e-commerce technology for tax planning. The interview-based approach gave us greater insight into the contingencies affecting e-commerce deployment and allowed us to better explore the individual circumstances of each respondent. Our respondents were differentiated by size and by products sold — that is, whether they sell high-technology products or traditional products.

Our results suggest that Canadian firms rarely consider taxation issues when making the initial decision to deploy e-commerce. Our respondents were primarily focused on issues that related to customer service and demand, the need to reduce sales execution cycles, and lowering their cost of sales. We found no evidence that firms routinely replace conventional sales means with e-commerce means. Generally, e-commerce was viewed as a complement rather than as a substitute for existing sales forces and offices, freeing sales staff to spend more time developing customer relations and coping with the growth in revenues. The location of computer servers seemed to be determined primarily by the location of the head office's information technology (IT) staff, although parallel servers were often located in key foreign markets. Most respondents were taking an evolutionary approach to e-commerce, with an Internet "presence" in the form of information and customer support established first, along with back-office technologies such as ERP systems, and Internet-enabled sales transactions capabilities established only after the back-office systems were in place and relevant experience had been gained. It is also worth noting that for several of our respondents customer pressure was a significant motivator for developing e-commerce sales capability, and to the extent that customers are not ready for or interested in such an ability, companies seem less likely to develop it.

The remainder of this paper is organized as follows. The next section reviews relevant research and business press articles concerning factors associated with e-commerce adoption in general, and the relationship of e-commerce to tax planning in particular. This literature review emphasizes Canadian e-commerce and income tax issues, because these are most relevant to our study. We then discuss our research questions and design, including the selection of respondents. The fourth section outlines our analysis and resulting themes. We conclude with a discussion of factors that should be considered when planning further research in this area and with a note to tax policymakers.

PRIOR RESEARCH AND COMMENTARY ON ELECTRONIC COMMERCE AND TAX PLANNING

In this section, we outline the factors that may drive e-commerce adoption in Canada in order to explain in more detail the potential conflict between existing income tax rules and e-commerce. We also review the existing research on e-commerce and income tax planning to provide a context for our study.

We start with a definition of “e-commerce”. Given our interest in sales revenues as a basis for taxation, we define e-commerce as business sales transactions facilitated through computer technology rather than through the use of human intermediaries acting within traditional organizational structures or functions. In a preliminary report defining e-commerce, the OECD (2000) specified two definitions of e-commerce transactions based on the method of placing or receiving the order. The first definition of e-commerce is broad, and encompasses all orders placed using computer networks, including the telephone system. The second definition of e-commerce is narrow and includes only those orders placed or received over the Internet. As noted in the Revenue Canada (1998) report on e-commerce, it is the Internet that is the salient feature in the evolution of electronic commerce. Accordingly, and given the Internet’s utility as a platform for expanding international trade, we focus on the second definition. However, since e-commerce predates the Internet, chiefly through such technologies as electronic data interchange (EDI), we also consider EDI in our exploration of the relationship between e-commerce and tax planning.

B2B Electronic Commerce in Canada: Motivations and Benefits

Understanding the relative importance of tax planning in e-commerce deployment requires an understanding of the other factors that influence e-commerce, the benefits achieved from e-commerce, and whether any of these factors and benefits are unique in the Canadian setting. Peer-reviewed research on factors driving e-commerce adoption in Canada is scarce, although several studies available on the Web document the determinants of Internet usage by small to medium-sized enterprises (SMEs). Accordingly, we examine both the material specific to e-commerce adoption by Canadian firms and research done in other countries about factors associated with the adoption of e-commerce by business organizations. There is a considerably larger body of literature on the benefits generally achieved from e-commerce, although, again, little of this is specific to Canada.

A 2001 study (Purchasing, 2001) found that the primary motivators for engaging in EDI for B2B were pressure from customers, the prospect of reduced errors, customer retention, decreased labour costs, and the need or desire for more accurate information. Parus (2000) reports on a PricewaterhouseCoopers survey that found that convenience, revenue growth, and internal cost reductions were the main incentives for engaging in e-business. In their research on Italian SMEs, Santarelli and D’Altri (2003) found that e-commerce was viewed as a cost-minimizing marketing channel. A 1999 Asia-Pacific Economic Cooperation (APEC) study reported in Rosson (2000) suggests that reaching international markets is a motivator for some firms, while increasing revenue and reducing costs are of moderate overall importance.

A study of Canadian SMEs and their use of business-related Internet technologies sponsored by the Canadian E-business Initiative in 2002 (McClean, Johnston, and Wade, 2002) did not explicitly investigate motivations for deploying the technologies. However, the study did find that the most widely adopted technologies (at a rate of about 55 percent) were those geared toward customer service and support and customer development and e-marketing solutions, which suggests that customer-related factors such as customer acquisition, retention, and revenue growth were viewed as key motivators for technology

deployment. Supply chain management solutions were adopted by only 21 percent of Canadian SMEs. The most commonly anticipated and achieved benefits identified by firms related to revenue increases stemming primarily from attracting new customers and, secondarily, from having existing customers buy more frequently and in greater volume. This finding provides further evidence that revenue growth and customer considerations are key motivators in the deployment of Internet-based business technologies. The second most common benefit was the reduction in sales, general, and administration expenses. The study did not appear to investigate motivators such as improved information or pressure from stakeholders.

Archer, Wang, and Kang (2003) examined the barriers to the adoption by Canadian SMEs of procurement and supply chain technologies. They found that companies are not adopting these technologies largely because of the absence of competitive pressure, interest from customers or suppliers, and appropriate cost-effective technologies to support inter-organizational computing for smaller companies. One might infer from this that these factors should be seen as motivators for companies to deploy e-commerce.

In a review of research on e-commerce in various countries, Pires and Aisbett (2003) noted that over 50 advantages and 40 disadvantages of e-commerce technology have been identified. Given the disparities in the studies to date and the current understanding of the role of strategy in the deployment of e-commerce, Pires and Aisbett suggested that e-commerce adoption must be evaluated in the environment in which it occurs, because the benefits (and costs) of e-commerce are contingent on both industry- and company-specific internal and external factors.

In summary, it appears that the primary motivators for e-commerce adoption are revenue growth, cost reduction, pressure from stakeholders, improved customer retention, and improved customer acquisition. There is also some evidence that potential improvements in information quantity or quality may affect the decision to adopt e-commerce, but few studies appear to have examined this as a factor. The perceived availability of appropriate technology may not be a motivator as such, but would likely act as a facilitator for companies that wished to engage in e-commerce. The reported benefits of e-commerce adoption are similar to the motivators listed above, but, as Pires and Aisbett (2003) note, the benefits achieved tend to be firm- and industry-specific.

Tax Planning as a Motivator for E-Commerce Adoption in Canada

Prior research has not explicitly considered the link between tax planning and e-commerce implementation. However, various commentaries in the business press about the potential impact of electronic commerce on tax collection (e.g., Economist, 2000; Gold, 2001; Olin, 2001; Walsh, 2000) suggest that there is a serious concern that companies may use e-commerce to shift income among countries to reduce their tax burdens. International and national task forces such as those of the OECD (2001), Canada (Revenue Canada, 1998), and other countries have investigated how e-commerce might be used for tax-reduction purposes and what, if anything, should be done to revise tax legislation to address this issue.

As discussed in Carnaghan and Klassen (2004), the potential problems posed by e-commerce for national tax administrations centre on two key concepts in the tax legislation in most countries, including Canada: the permanent establishment (PE) concept and transfer pricing. In general, a company is usually taxed in a country only if it has operations sufficient to maintain a PE there. In simple terms, a PE exists when a company has a fixed place of business. To further clarify this concept, many tax treaties specify that a PE exists in a particular country if the company (1) has a fixed place of business, such as a premises or place of management, with some degree of permanence, or (2) carries on a business through employees or dependent agents who have authority to conclude contracts on behalf of the company.

There has been considerable debate since 1997 over whether this definition enables tax authorities to properly handle e-commerce transactions. In 2000, the OECD made changes to the commentary on its model tax treaty to clarify the definition of a PE. The changes reflect a general understanding that a website, by itself or facilitated through a Web-hosting arrangement, is not a PE. However, owning or leasing and operating a server on which a website resides may constitute a PE if the server performs essential business processes for the company. Finally, in a significant change from previous treaty provisions, the OECD stated that it believes that no human interaction is necessary for the server to be a PE; it is necessary only that the server perform a core function of the business. Ossi (2001) illustrates this point by noting that a website that merely advertises the company's products will not generally be considered a PE because advertising is not a core function of the business. However, if the website also solicits orders, does credit checks, and processes orders, then the website will likely be considered a PE in the country in which the server is located.

The other key concept in tax legislation that is problematized by e-commerce is transfer pricing. Transfer-pricing rules determine the allocation of profit among related entities — for example, a domestic corporation and a foreign PE. Even where a PE (such as a server) is deemed to exist, transfer-pricing rules must be applied to determine the profit attributable to it; the profit allocation would then serve as the basis for determining the PE's taxable income. Factors that influence the transfer price include the attribution of assets and risks to a PE, the amount of profit the PE would be considered to have earned if it were an independent entity, and the interaction of the PE with other parts of the organization, particularly the head office. Detailed discussion of the application of transfer-pricing rules in an e-commerce context is beyond the scope of this paper. However, because the risks borne and value added by an order-taking server are generally quite low, the amount of profit attributable to the PE will likely be similarly small (Haigh, 2001).

Given the uncertainty of the application of the PE concept and transfer-pricing rules in an e-commerce context, it is important for Canadian businesses to consider the relative costs and benefits of implementing e-commerce for tax purposes. For example, although there may be significant costs of maintaining a foreign server and complying with foreign tax laws, there may also be significant benefits. These considerations are particularly relevant where a PE is located in the United States. A U.S. PE may enjoy lower corporate tax rates and have greater access to e-commerce technologies. Our research is intended to shed light on the relative weights placed on these factors by Canadian business.

The increasing use of e-commerce as part of tax-planning strategies is also an important issue for Canadian tax policymakers. For example, to the extent that Canadian companies already do business in the United States they may prefer to use their U.S. operations to develop and operate the server both to meet U.S. sales needs and to export to other jurisdictions. The use of U.S. PEs would reduce tax payments to Canadian governments, and might also have employment and other economic implications if Canadian businesses shift operations to the United States to help create a significant presence for transfer-pricing purposes.

To contribute to our understanding of these issues in the context of current Canadian business, we undertook a series of interviews, which we outline in the next section.

Existing Research on Tax Planning and E-Commerce

The existing research on e-commerce and tax planning is very limited. Cline and Neubig (1999) and Goolsbee (2000) comprehensively address state sales tax collections and the use of e-commerce to purchase goods from other jurisdictions. However, it is currently not well understood whether companies use e-commerce to shift income among countries to reduce their tax burdens. Carnaghan and Klassen (2004) provide some modest evidence that such shifting does occur for U.S. firms with multinational sales, with companies in industries that have high B2B e-commerce sales making greater use of export sales as tax incentives become greater, holding foreign subsidiaries sales constant.

Existing research on e-commerce and taxation in Canada is largely theoretical. For example, Li (2003) addresses the policy issues involved in modifying the GST to address the challenges posed by e-commerce, and Li (1999), Darro and McAskile (2001), Bourgeois and Blanchette (1997), and McCracken (2002) discuss the policy and business implications of e-commerce for income and sales taxation, particularly in Canada, and make a number of policy recommendations to address these implications in a larger international context. None of these papers, however, attempts to provide evidence of whether companies are actually using, or were planning to use, e-commerce for tax planning, nor how tax planning would be balanced against other factors driving e-commerce deployment.

Summary of Existing Research

Extensive business press commentary, government task force reports, and tax policy research strongly argue that there are considerable conceptual problems raised by e-commerce for existing tax legislation. However, published field research on e-commerce does not suggest that business organizations perceive tax planning as a significant factor in e-commerce deployment. There are several possible reasons for this discrepancy.

One possibility is that while tax planning is facilitated through e-commerce, it amounts to a second-order effect, and thus simply has not emerged as an important issue in prior research. This omission may have been exacerbated by the surveys to date, which may not have inquired about tax savings as a possible determinant of e-commerce activities. A second possibility is that most firms are not engaged in such practices, perhaps because of the newness of e-commerce, or because other factors important to e-commerce deployment

make tax planning difficult. A third possibility is that tax planning is occurring, but transfer-pricing issues limit the benefits to small dollar amounts. A fourth possibility is that firms are unaware of the tax-planning opportunities of e-commerce, and thus do not make use of e-commerce to shift income among jurisdictions. The existence of specialized units within the large public accounting firms to help companies tax plan using e-commerce makes the last-mentioned possibility less likely, but such services might be used by only the largest companies in Canada. It is also worth noting that the biggest potential for tax-planning benefits occurs for companies with both significant multinational sales and domiciles in tax jurisdictions such as Canada that have relatively high domestic tax rates and that exclude business income of foreign subsidiaries from domestic tax (this is in contrast to the United States, Japan, and the United Kingdom, which tax such income when it is repatriated). Because many countries have a greater proportion of domestic to foreign sales than of foreign to domestic sales, or have different tax regimes from Canada's, tax-planning issues may be less important in other jurisdictions.

Consequently, beyond addressing the important tax issues for Canadian businesses and policymakers, our exploration of the Canadian context presents a rare opportunity to examine multinational tax planning because the tax benefits may exceed the costs for Canadian business when they would not in many other jurisdictions. In the next section, we outline our research design to begin our investigation of these issues.

RESEARCH QUESTIONS AND METHOD

Given the lack of field research on tax planning and e-commerce, we chose to employ a more in-depth qualitative approach to better understand the issues involved in the use of e-commerce for tax planning by Canadian firms. As noted in Cresswell (1994), a qualitative approach is appropriate when the emphasis is on providing descriptive information that aids in providing meaning and understanding, and when the intent is to build abstractions and theories from details (that is, a more inductive approach). Benbasat, Goldstein, and Mead (1987) also suggest that qualitative approaches (such as case studies) are appropriate in information systems research when the researcher wishes to understand the complexity of the processes of interest and to research a relatively unexplored area.

Following the recommendations of Miles and Huberman (1984), we identified two guiding questions on which to base our research, each with several subquestions to help focus our inquiries. Our first guiding question was:

1. Do Canadian firms consider tax issues in making decisions about e-commerce to support multinational sales?

The subquestions related to this issue were:

- 1a. What factors generally drive multinational sales decisions?
- 1b. What factors motivate Canadian firms to deploy e-commerce and related technologies, particularly when considering multinational sales? How do tax issues compare in importance to these other factors? Are there trade-offs made?

- 1c. What benefits have firms actually achieved from e-commerce and related technologies? How do the benefits of tax planning compare with other benefits?
- 1d. Who is involved in the decision making related to e-commerce deployment?
- 1e. Do the necessary profitability conditions exist for tax planning with e-commerce to be applicable?

These questions were intended to help us understand what factors were underlying the use of e-commerce, and whether tax issues were even considered. The emphasis on multi-national sales issues ensures that we are examining the context where the use of e-commerce for tax planning would likely be most beneficial. Since knowledge of tax legislation is likely required to realize the potential tax advantages of e-commerce, we asked about the persons involved in the decision making, assuming that involvement of someone with accounting or financial expertise would be a prerequisite to considering tax issues. Because tax planning is less relevant to companies with losses, we also considered profitability in both domestic and foreign operations as another factor that would influence the likelihood that tax planning was considered in the decision to implement e-commerce.

Our second guiding question was:

2. How do companies use e-commerce (technologies) to achieve their sales-related goals, including (if applicable) tax planning?

The subquestions related to this issue were:

- 2a. What e-commerce and related technologies are used to help achieve sales-related goals?
- 2b. Where were the technologies located, and why?
- 2c. To what degree were the technologies used to substitute for more conventional operations, such as sales offices, foreign subsidiaries, support staff, etc.

Answers to these questions enabled us to better understand what technologies were being deployed, because some technologies may be better suited to tax planning than others. The location of the technology is pertinent to determining whether shifting income among jurisdictions can be used for tax planning, even if companies are not now engaged in such tax planning. The substitution of technology for other operations, particularly in higher-tax foreign jurisdictions, is one way to explore the issue whether e-commerce affects the structure of foreign subsidiaries or export sales functions.

Research Method

One of our goals in conducting this study was to develop an understanding of the factors involved in the use of e-commerce for tax planning, which could be used as the foundation for developing a survey of a large cross-section of Canadian firms. Accordingly, we wanted to strike a balance between in-depth information about a particular company's

experiences and an understanding of the diversity of practices in Canadian business. Consequently, we chose to conduct interviews with 8 to 10 companies either currently deploying or planning to deploy e-commerce, selected according to their differences on two dimensions.

The first dimension was size. Previous research, including Statistics Canada surveys, has suggested that larger companies (those with more than 500 employees) may have different experiences with e-commerce because of greater technological infrastructure and expertise. For example, a Statistics Canada (2003) survey found that those organizations selling online tended to be larger firms, accounting for nearly 30 percent of gross business income in Canada. It would also be expected that larger companies, because of their generally greater use of specialists, would have better access to tax experts to guide them in tax planning. To the extent that tax-planning activities require a fixed cost to implement, the costs would generally exceed the benefits for smaller companies. Larger companies may also be less susceptible to the dominance of other stakeholders such as suppliers and customers, who may pressure smaller companies into technology investments that are of little benefit to the company but that are required to maintain relations with suppliers and customers.

The second dimension was product type. Companies that sell information technology (IT) products might be more comfortable with technology in general, and have greater access to technical expertise, than those that sell more traditional products. PricewaterhouseCoopers (1999: 21) also notes that e-commerce may be most beneficial to companies that sell goods with a "high value-to-weight ratio", such as software and small hardware components.

The resulting framework led us to try to solicit at least two companies in each of the following cells: SME traditional products companies; SME IT products companies; large traditional products companies; and large IT products companies. We felt that this approach would enable us to compare both similarities and differences in the use of e-commerce for tax planning, and thus develop a more comprehensive understanding of factors to be considered in conducting future research. Companies to populate these cells were initially located on the basis of personal contacts, and those contacts were asked to suggest others who might be appropriate for our study. Potential companies were screened by telephone or email interview to determine their current or planned use of e-commerce technology; prior knowledge of the company and the interview itself were used to locate the company within a particular cell. We ultimately interviewed nine companies, although for the large IT product cell we were only able to interview a representative of one company.

To facilitate a thorough exploration of each respondent's responses and to permit the use of open-ended questions, we chose to conduct in-person interviews at the premises of the respondent's firm. We felt that this would establish a better sense of rapport than a similar approach using telephone interviews. To ensure that our respondents were knowledgeable about e-commerce and tax issues, we selected individuals who held senior management positions in the finance/accounting function (such as chief financial officers [CFOs]), the IT function (such as chief information officers [CIOs]), or the executive function (such as chief executive officers [CEOs]). Selection of these particular positions follows from Grant

(2003), who found that decision making with respect to e-commerce was highly centralized, and often involved members of the senior IT management team.

Where respondents stated that they lacked the knowledge to answer particular questions, we arranged follow-up appointments with other individuals in the organization whom the respondents identified as being the appropriate persons to provide the requested information. Two researchers attended each interview, with one asking questions and requesting clarification and the other taking notes and asking for clarification as necessary. This approach was felt to be more comfortable for the respondents than tape-recording the interviews, given the potentially sensitive (albeit legitimate) nature of tax planning.

In preparation for the interviews, we developed a series of open-ended questions based on a review of the prior literature and a consideration of the research questions we planned to explore. The questions were reviewed by a tax partner with a multinational accounting firm with e-commerce expertise for appropriateness and completeness prior to the interviews.

An outline of the interview questions was provided to respondents at the start of the interview or when the interview time was arranged. (See the appendix for this outline.) To avoid biasing respondents toward focusing on tax issues, and to get a better sense of the relative importance of other factors in e-commerce deployment, the tax-related questions were asked relatively late in the interview and were not given particular prominence in the survey title or discussion of its purpose, although the researchers did mention tax issues as one area to be explored. The questions started with some basic company demographics to understand the company's context and to help determine the corresponding sample cell given the company's size and products. While the questions were provided in an open-ended format, the interviewers had a series of prompts for each question based on findings from prior research. These prompts were used to help the respondents better understand the question if necessary, to help clarify responses, and to elicit further explanation or qualification of initial responses.

For example, some prompts for the question regarding factors that were important in making multinational sales decisions included the location of current or future customers, supplier issues, production costs, marketing costs, regulatory issues, and tax issues. We chose not to provide these prompts to the respondents to avoid biasing their initial responses, and to avoid limiting responses to what we had stated. However, the prompts were useful in inducing the respondents to elaborate on their answers. Overall, the respondents clearly felt quite comfortable in both agreeing and disagreeing with the prompts as additional issues relevant to their organization's situation.

The interviews concluded with a question regarding the existence of any other factors or issues relevant to the use of e-commerce that had not been covered in the interview. If tax planning had not been mentioned earlier in the interview, then a question about its importance was asked to ensure that it had not been inadvertently omitted as a factor. Although this approach ran the risk of biasing responses, it also ensured that tax-planning issues were not being overlooked. Respondents seemed, again, comfortable in stating whether taxes had been a consideration in e-commerce deployment. When the interviews were completed, typed copies of the interview notes were sent to the respondents to

review and edit as necessary to ensure that the notes were accurate. The researcher who had asked questions also reviewed the notes to add any additional points and to ensure that the notes captured the essence of the interviews.

ANALYSIS OF INTERVIEWS

Material from the interviews was categorized into themes that related to the study's research questions. Interview data were also examined for particular patterns or common contingencies to better understand the interactions of particular factors in their impact on e-commerce deployment. Several reviews of the data and resulting categories were done to refine categories and identify additional patterns. The following discussion of our findings is primarily organized by research question. Table 1 provides some demographic data about our respondent companies, indicating their approximate size in terms of numbers of employees (using the standard Industry Canada classifications), dollar value of sales category for the most recent fiscal year, industry description, and respondent position within the company. As the table shows, we achieved reasonable diversity in terms of company size, volume of sales, and industry. For convenience, respondents are referred to as R1–R9 in the table and in subsequent discussions. Our respondent companies typically have the majority of their employees in Canada, but a significant proportion of sales occurred in foreign jurisdictions, particularly in the United States. Of the nine respondents, four had more than 75 percent of their sales going to customers outside Canada, three had between 30 and 50 percent of their sales going outside Canada, and two had roughly 10 percent of their sales going outside Canada (not shown in the table). In general, the percentage of sales to foreign markets made all the respondents well aware of the issues related to international sales and the use of e-commerce to support these sales. Five of the companies were private, while four were publicly listed.

Q1. Do Canadian Firms Consider Tax Issues in Making E-Commerce Decisions?

Our evidence on this issue suggests that tax issues are certainly not dominant, and generally appear to be rarely considered. In no case did any respondent spontaneously mention tax-planning issues. When prompted, only one respondent said that tax issues might eventually be considered, and one other respondent stated that tax issues were considered in the initial decision making but were not significant to the decision. In all cases, other factors such as customer desires and customer locations were seen as the key drivers of e-commerce issues related to multinational sales. Some of this may be related to the relative newness of e-commerce: as shown in Table 2, only three of the respondent companies use e-commerce (Web stores) for sales transactions, three use electronic data interchange (EDI), and three do not use at present the Internet or EDI to perform sales transactions, for reasons that will be discussed later in this section.

TABLE 1
Demographic characteristics of respondents

Respondent ID	Size category	IT or traditional	Nature of business	Sales category for most recent year (\$ millions)	Respondent position in organization
R1	Large (> 500 employees)	IT	Hardware manufacturing	100–500	Financial management
R2	Medium (100–500 employees)	Traditional	Nonperishable consumer products wholesaler/distributor	50–100	IT management
R3	Large (> 500 employees)	Traditional	Perishable consumer products wholesaler/distributor	> 500	Financial management
R4	Small to medium (50–100 employees)	IT	Hardware manufacturing and information-processing services	10–50	Financial management
R5	Medium (100–500 employees)	IT	Software development	10–50	IT management
R6	Large (> 500 employees)	Traditional	OEM parts manufacturing	> 500	IT management
R7	Small (< 50 employees)	Traditional	Nonperishable consumer products retailer	< 10	IT management
R8	Small (< 50 employees)	IT	Software retail	< 10	CEO
R9	Small (< 50 employees)	IT	Software retail and consulting services	< 10	CEO

TABLE 2
Respondent business profiles that relate to e-commerce and related technology implementation

Respondent	Sales technology	Motivators for deploying e-commerce or related technologies	Benefits of deploying e-commerce or related technologies	Profitability conditions for tax planning in existence?
R1	None	Pressure from customers; sales growth	Ability to track customer input to improve product design; shortened development cycle; information sharing across teams	No
R2	EDI	Faster fulfillment of orders; pressure from customers; sales growth	Shorter sales execution cycle; ability to accommodate growth plans; customer retention; balances pressure on prices	Yes
R3	EDI	Improved customer service; cost reductions	Some cost reductions; shorter sales execution cycle; preferred supplier status; closer to customers	Yes
R4	None	Volume of transactions to justify cost	Not applicable	No
R5	Web store	Reduced cost of sales	Reduced cost of sales	Only recently
R6	EDI	Pressure from customers	Retention of customers; less inventory; shorter sales execution cycle	In some markets
R7	Web store	Distinguishing point from competitors; increasing customer service; sales growth	Economies of scale due to increased sales; ability to enter geographic markets that are otherwise inaccessible	Yes
R8	Web store	Reduced costs; ability to enter geographic markets that are otherwise inaccessible	Ability to enter geographic markets that are otherwise inaccessible; reduced costs of sales	Yes
R9	None	Pressure from customers	Ability to enter markets that are otherwise inaccessible; reduced costs of sales	Yes

Q1a. What Are the Most Important Factors in Making Multinational Sales Decisions?

Respondents mentioned a number of different factors, but none stated that tax issues were a major concern. The most common factors mentioned were market demand (including the ability to differentiate one's products to bolster demand for them), customer location, need for local knowledge of the customer market, availability of skilled labour, production costs, and shipping costs. Which of these factors dominated depended on the nature of the product. For example, two of the respondents emphasized the need to understand and be able to respond to local market norms, which drove the decisions as to which markets to enter and where to locate sales agents. For companies selling IT products, the availability and cost of skilled labour was important, especially for firms in relatively remote communities. For companies whose products were relatively bulky or that were in more isolated areas, shipping costs were a concern. Company size did not appear to be related to the factors that were deemed important.

Q1b. What Factors Motivate Canadian Firms To Deploy E-Commerce, Particularly When Considering Multinational Sales?

The primary responses to this question are summarized in Table 2. The factors related to the use of e-commerce or plans to use e-commerce are primarily related to pressure or interest from customers. Four of the nine respondents noted customer pressure as an issue that influenced their actual adoption of or plans to adopt e-commerce, while two respondents noted that a lack of pressure or interest from customers influenced their decision not to move into e-commerce (not tabulated). Other factors that were mentioned included filling customer orders quickly as a means of competitive advantage (one respondent), selling to customers that were geographically distant (one respondent), selling cost-effectively (three respondents), increasing customer service (two respondents), sales growth (four respondents), and distinguishing the company in a competitive market as a "first-mover" tactic (one respondent).

In discussing this issue, respondents noted several factors creating barriers to e-commerce adoption and expansion. For example, R2 stated that their existing customer base was largely still traditional "bricks and mortar" retailers rather than Internet-based firms, with only a minority of customers even having onsite Internet access. Accordingly, there was little customer pressure to adopt B2B Internet-based e-commerce. R3 noted that EDI was not yet capable of dealing with the complexities of handling their particular types of perishable goods. R4 and R7 noted that the costs of further developing e-commerce and related "back-office" infrastructure were prohibitive for the current volume of sales. Several respondents also noted that e-commerce was not currently well suited to their business model. For example, R1 had a small number of large, institutional customers, with the relationship based on long-term sales contracts. Thus, there was little value in using e-commerce to create the sales transactions, although other technologies such as enterprise resource planning (ERP) systems were useful in actually making the shipments to fulfill the terms of the agreement. R6 made a similar point. The majority of R5's business in a particular product line required customization of the software, so significant involvement

by the local offices was necessary to ensure this was done appropriately. In addition, R5 noted that an understanding of the cultural norms of customers in some foreign jurisdictions made a local sales force a requirement. R2 also noted that a strong knowledge of local market tastes was required to sell effectively, because each market had different preferences, and similarly service was also important to maintaining relationships. Finally, R9 mentioned that selling their products still involves extensive negotiations that typically take place in person.

Q1c. What Benefits Have Firms Actually Achieved from E-Commerce and Related Infrastructure?

The stated benefits were quite diverse, and are summarized in Table 2. In several cases, the actual benefits were the same as the motivators that led to the implementation of e-commerce. Four respondents noted significant improvements in speed of filling orders or reduction of product development times. Four respondents (three of whom sell software) noted costs savings from using the Internet to sell products. Three respondents noted the ability to sell to new markets, and one noted improved economies of scale as the increased sales volume enabled overhead costs to be spread across a greater volume of sales. Both R2 and R6 noted customer retention as a benefit, because customers required the use of EDI to do business.

Q1d. Who Is Involved in the Decision Making Related to E-Commerce Deployment?

R2 indicated that suggestions for technology initiatives, including B2B e-commerce, could have come from anywhere in the organization. The evaluation and implementation of technology decisions were carried out in annual strategic planning exercises, with IT planning done in conjunction with business planning. These exercises included all vice-presidents and the president. R1 indicated that the CEOs, CFOs, and chief operating officer (COO) were involved in the decision making for B2B e-commerce deployment. R3 noted that the systems group was the primary driver. They convinced the sales group, and then jointly convinced the CEO. R4 noted that those in senior management were the decision makers. Customer demands as a condition of sales agreements were the drivers for R6 and R8. For R7, the CEO was the primary driver, but agreement from the other principals was necessary. For R9, the CEO was the primary driver, although this person generally discussed major planned changes with larger customers.

Q1e. Do the Necessary Profitability Conditions Exist for Tax Planning with E-Commerce To Be Applicable?

Respondents were asked to indicate whether they had been consistently profitable for the last five years, profitable in some of the years, or never profitable for both the Canadian and foreign markets. Generally, respondents had similar profitability levels in the Canadian and foreign markets; their responses are summarized in Table 2. Most of the respondents had been profitable for the previous five years, which suggests that tax planning could benefit the company in general. Two of the remaining companies were completing growth phases — one had achieved profitability in the past year and the other was not yet profitable.

Q2. How Do Companies Use E-Commerce and Related Technologies To Achieve Their Stated Goals?

As would be expected from the answers to the previous questions, the respondent companies' goals for e-commerce and related technologies were diverse, and therefore how e-commerce and related technologies are being used reflect this diversity. As noted earlier, only three of the respondent companies use e-commerce to actually take orders, while an additional two use EDI. In these two cases, the actual sales agreements are executed using more conventional means, and EDI is then used to record and fulfill the customer orders made on the basis of the sales agreements. Back-office technologies such as ERP and customer relationship management (CRM) were an important part of the development of e-commerce for the larger respondent companies, but were not considerations for the smaller companies. For our larger respondents, these technologies often preceded or were concurrent with the implementation of e-commerce or EDI.

Q2a. What E-Commerce and Related Technologies Are Deployed To Support Sales?

Results for this question are summarized in Table 3. Reasons for the technology choices often reflected respondent-specific factors. For example, R2 indicated use of traditional EDI as well as sales force automation software, which jointly accounted for about 60 percent of customer orders. All of R2's front-end systems were linked to an ERP system, along with a warehouse information system. CRM software was not being used because there are only a small number of customers in the industry, and the company knows them well. R1 was also not using CRM technology, also because it has only a small number of potential customers. For these respondents, B2B order entry and processing was also not done, because the majority of sales were made according to existing contracts. The customer base showed interest in moving to a B2B order entry and processing system, so it was expected that this would be implemented eventually. R3 used EDI for certain customers, along with ERP and supply-chain management (SCM) systems. However, the existing back-office technology was still not suited to the specialized requirements of R3's industry, and this created a barrier to further development of B2B e-commerce. Given the lack of volume to justify further investments in systems, R4 was still performing its sales-related processes manually, with little back-office technology other than conventional accounting information systems.

Q2b. Where Was the Technology Located, and Why?

Results for this question are summarized in Table 3. R2 indicated that the majority of its technology was currently located in Canada, but that for the Internet-based B2B system, servers would be located in both Canada and the United States. No particular reason was given for this arrangement. R1 also indicated that the majority of its order processing was done from its head office in Canada, and acknowledged that physical proximity to the U.S. market was an important issue. For the majority of respondents running their own server, the server was located in the same geographic vicinity as headquarters, or near the office whose products were being sold over the Internet (in cases where one office was primarily

responsible for a particular product). In cases where significant sales were occurring or expected to occur in the United States, additional servers (typically operating in parallel with the main server) typically were or were expected to be in the United States. The rationale for server location was typically related to the location of the IT staff or for historical reasons, although some respondents also noted the potential need for additional servers to be near customers. In two cases, the respondents noted that the location of the server was not important because it was transparent to the customer.

Q2c. To What Degree Was the E-Commerce and Related Technology Used To Substitute for More Conventional Operations, such as Sales Offices, Foreign Subsidiaries, and Support Staff?

In general, e-commerce and related technologies were complements to existing operations rather than substitutes. In no case did a respondent comment on a substitution effect. For example, R2 explained that the existing sales force would be redeployed to provide more customer service and more maintenance of materials on the website when the new B2B system was implemented. R1 noted that the company was sensitive to transfer-pricing issues and expected that the ERP system would help in addressing these issues. R3, R5, R6, and R9 indicated that face-to-face relationships were still important in their industries, although R5 also noted that e-commerce might reduce the resources needed to ensure customer satisfaction. R7 noted that the website was not really substituting for anyone, because the company would not be selling to international markets without e-commerce.

Patterns That Emerged from the Analysis

An Incremental Approach to E-Commerce Adoption

Similar to the findings of Grant (2003), we found that companies seemed to be taking an evolutionary approach to e-commerce, starting with simple applications that created only

TABLE 3

Respondent profiles that relate to the technology factors underlying e-commerce implementation

Respondent	Sales technology in use	Back-office sales-related technology in use	Location of technology
R1	None	ERP	Head office
R2	EDI	ERP, sales force automation	Head office and United States
R3	EDI	ERP, SCM	Head office
R4	None	None	Head office
R5	Web store	Internally developed systems for integrating sales from all channels	Head office and United States
R6	EDI	ERP	Near head office
R7	Web store	None	Hosted by third party
R8	Web store	None	Head office
R9	None	None	Head office

a presence on the Internet (such as a website that provided information about the company and its products) and completing back-end technologies such as ERP systems and sales force automation, before moving on to consider more interactive technologies. For the smaller respondent companies, lack of the back-end technologies limited the per-transaction cost savings from e-commerce. Where e-commerce had already been implemented, this meant economies of scale were limited. The capital costs of these back-end technologies were noted as a factor inhibiting further development of e-commerce, a finding similar to a point made in Archer et al. (2003).

Primary Motivators for and Benefits of E-Commerce: Customer Demand, Sales Growth, and Speed

Several respondents described customer pressure and retention considerations as a driver of e-commerce adoption. Conversely, lack of customer preparedness or interest was noted by some respondents as a reason that e-commerce had not been implemented. Another factor driving the implementation of e-commerce was ambitious growth plans. Respondents felt that the technology was essential to enable the company to cope with large increases in sales volumes in short amounts of time. Finally, the ability to fill customer orders quickly was a key benefit, both to meet customer expectations and as a means of creating competitive advantage to minimize competition on a “price-only” basis. Our findings concerning motivators (in particular customer pressure, customer retention, revenue growth, and reduction in cost of sales/marketing) are similar to those noted in the papers mentioned in the literature review, although our finding of the benefit of shortening cycles, whether sales or product development, seemed less prominent in prior research on e-commerce.

E-Commerce and Related Technologies Are a Complement to Rather Than a Substitute for Other Tools and Techniques

In no case did respondents note the use of e-commerce and related technologies to substitute for existing staff. In several cases, it was seen as a means of enabling growth without substantially increasing staff. In other cases, e-commerce was seen as freeing sales staff to concentrate on other facets of developing customer relationships. For some smaller respondents, e-commerce also enabled entry into markets that otherwise would not have been accessible. The continuing need for understanding of regional norms and market preferences as well as face-to-face negotiations for effective selling helps explain why e-commerce is not simply a substitute for sales offices for our respondents.

Product/Service Characteristics and Volume of Customers Determine Appropriateness of E-Commerce

A clear theme emerging from the interviews was that the need for “high touch” was an important determinant in deciding whether e-commerce constituted an appropriate sales channel. Thus, while digital products such as software may be more easily sold through e-commerce means, whether e-commerce constitutes an appropriate channel depends on such issues as need for customization, familiarity with market norms, and industry norms

that require face-to-face interaction. In these circumstances, Internet-based technologies and EDI may enable faster fulfillment of orders and, in the case of Internet-based technologies, may also facilitate customer support, but are not appropriate as the primary means for actually conducting the sale. In cases where a small number of large customers constitute the sales base, e-commerce also seems less cost-beneficial, although this may be because EDI is meeting the need for efficiency of transaction execution for many such respondents. As noted by Pires and Aisbett (2003), an understanding of the business strategy and context of our respondent companies is important in appreciating why and how e-commerce is being deployed, and more simplistic approaches may thus miss company- and industry-specific nuances.

CONCLUDING COMMENTS: IMPLICATIONS FOR FUTURE RESEARCH AND TAX POLICY

Our analysis suggests a number of factors that should be taken into account when considering tax planning through e-commerce. First, it seems likely that only large companies have both the volume of business and the technological infrastructure to exploit e-commerce for tax-planning purposes. The incremental approach to the deployment of e-commerce, combined with economy-of-scale issues, suggests that many companies either have not yet deployed e-commerce for sales transactions, have not yet stabilized financial performance sufficiently to pursue tax-planning opportunities, or do not have a sufficient volume of business to justify the creation of the necessary e-commerce software and servers in jurisdictions with lower tax rates than those where the customers are located. The evolutionary nature of e-commerce deployment also suggests that companies most likely to be in a position to consider tax issues when using e-commerce are those that have been using e-commerce for some time, likely a number of years.

Second, our findings suggest that tax planning is at best a second-order consideration in the deployment of e-commerce for sales purposes. Failure to control for more important determinants such as customer pressure and retention considerations, growth plans, and the cost of the infrastructure relative to volume of sales will make it difficult to analyze the role of taxes and e-commerce. Some of these factors may be proxied for by industry and size controls.

The results of our research suggest that tax policymakers likely have some time to revise policy to address the use of e-commerce for tax planning, because it appears that the phased implementation approach for e-commerce and growth curve issues have limited the tax-planning consequences, particularly for small and medium-sized companies. Even the large companies in our sample of respondents were not considering the tax issues related to e-commerce, and were more concerned with the benefits derived from meeting customer needs and expectations. Our preliminary findings of phased implementations of technologies also help to explain prior research that shows that only a small proportion of firms are using Internet-based sales transactions. E-commerce sales systems come quite late in a phased approach, because their success depends on implementation of a variety of other technologies and accumulation of experience in Internet and e-commerce technologies.

There are several limitations to our study. First, we have chosen to interview respondents from companies that vary in size. Our results would likely have been different if we had concentrated on only the very largest companies in Canada. However, SMEs constitute an important sector of Canadian business. Industry Canada notes that over the past decade, SMEs created more than 85 percent of net new jobs, and accounted for 99.9 percent of all businesses in Canada (Industry Canada, 2003). Accordingly, it seems important to include their experiences in our study. Second, we interviewed only nine companies; a larger sample may have yielded different results. However, our emphasis in this study was on explaining the factors related to the use of e-commerce for multinational sales, rather than on developing a representative sample that could be used to assess the degree to which e-commerce is being used for tax planning. Thus, we believe that we have identified a wide range of factors, but we cannot definitively comment on whether and how much e-commerce might be used in Canada for tax planning. Additional study using a larger, random sample is needed to develop further understanding in this area.

APPENDIX

Interview Outline Provided to Respondents

In the outline below, “e-commerce” is defined as Internet-based commerce. “Sales made over the Internet” are those where the order is received via the Internet, rather than where the Internet is simply used to disseminate information about the product. “Sales” includes business sales transactions conducted via the Internet, extranets, and Electronic Data Interchange (EDI) on the Internet, regardless of whether the transaction was completed with or without online payment. Sales via EDI on proprietary networks and other electronic networks are separately defined as “traditional EDI” in this survey.

1. Company demographics:
 - Company industry (NAICS or SIC code, if known)
 - Company incorporation status (publicly traded, privately owned — Canadian controlled, privately owned — foreign controlled)
 - Company size (sales, employees for most recent fiscal year)
 - Estimated proportion of sales attributable to digital products (e.g., data, software, video, audio, etc.)
 - Primary operating province (i.e., province where majority or plurality of sales operations occur)
 - Other provinces with sales operations
 - Proportion of sales made outside Canada
2. What factors are most important to your company in making multinational business decisions?
3. Are you currently using Internet-based technologies to sell products on a B2B basis, including digital products? (Including Internet-based EDI but excluding traditional EDI)

4. How long have you been involved in using the Internet to sell products on a B2B basis?
5. What changes in technology or operations have you made in your company to use e-commerce? Consider use of servers, network providers, new information systems, staff changes, and changes in subsidiaries.
6. What were the major factors *initially* driving the changes you identified in question (5)? In other words, what were your objectives in making these changes?
7. Who were the major stakeholders (identified by functional area — e.g., sales, production, finance, legal services, CEO) making the decisions that led to the changes you identified in question (5)?
8. What benefits have you actually achieved following the changes made in question (5)?
9. What factors have been important in determining the *location* of the technology enabling Internet-based sales of goods?
10. Have you been able to use e-commerce, other than EDI, to substitute for existing or proposed operations in domestic or foreign jurisdictions? If so, do you know what, if any, impact on tax payments this substitution has had?
11. Have you been able to use EDI to substitute for existing or proposed operations in domestic or foreign jurisdictions? If so, do you know what, if any, impact on tax payments this substitution has had?
12. Can you identify the top five countries from which sales to unrelated customers are made? For these countries and sales, can you provide the following information? If you are a subsidiary of a foreign parent, please provide information on *only* those sales made by your corporation and corporations you control.

(i) Country	(ii) % of your entity's total unrelated sales made from this country	(iii) % of sales identified in column (ii) that are exported to other countries	(iv) % of sales identified in column (ii) through non- EDI Internet- based means	(v) % of sales identified in column (ii) through Internet-based EDI	(vi) % of sales identified in column (ii) through traditional EDI
Canada					

13. How would you characterize your company's profitability from operations in Canada (including exports from Canada)? (Always profitable, profitable in some years, consistently have difficulty showing a profit)
14. How would you characterize your company's profitability for sales made from operations outside Canada? (Always profitable, profitable in some years, consistently have difficulty showing a profit)
15. Are there any other issues related to your use of B2B e-commerce for multinational sales that we have not raised that you think are important?

CYBERCOMMERCE ET PLANIFICATION FISCALE : LES EXPÉRIENCES CANADIENNES

CONDENSÉ

Dans leur étude qualitative, les auteurs se demandent dans quelle mesure les sociétés canadiennes exploitent les ressources du cybercommerce, en particulier leur lien avec la planification fiscale, et de quelle façon. Les difficultés que pose le cybercommerce pour les systèmes traditionnels de « retenue à la source » ont suscité de vives discussions dans le milieu des affaires et le secteur public. Selon plusieurs, les méthodes internationales existantes de répartition des bénéfiques aux fins fiscales doivent subir un profond remaniement pour traiter de manière adéquate les opérations de vente sur Internet. L'Organisation de coopération et de développement économiques (OCDE) ainsi que différents pays, dont le Canada et les États-Unis, ont confié à des groupes de travail le soin d'analyser quelles modifications pourraient devoir être apportées à la législation fiscale actuelle pour régler les questions soulevées par le cybercommerce. Les discussions relatives à la politique en cette matière se sont toutefois heurtées à la rareté des données factuelles sur le recours des sociétés au cybercommerce à des fins de planification fiscale.

Compte tenu du fait que peu de chercheurs se sont intéressés jusqu'à maintenant à l'importance de la planification fiscale dans les décisions des sociétés d'exploiter les ressources du cybercommerce, plusieurs questions demeurent irrésolues, dont celles-ci : les sociétés tiennent-elles véritablement compte des questions fiscales dans l'évaluation du cybercommerce ? quel est le poids des facteurs dont on sait qu'ils influent sur les décisions de recourir au cybercommerce par rapport aux incitations fiscales ? et quels sont les facteurs qui pourraient concrètement faire obstacle à l'utilisation du cybercommerce à des fins de planification fiscale ? Les auteurs retiennent la méthode de l'entrevue qualitative pour amorcer l'étude du rôle de la planification fiscale dans les décisions relatives au cybercommerce et son interaction avec d'autres déterminants de l'exploitation des ressources du cybercommerce. En nous permettant de mieux comprendre l'incidence de la fiscalité sur le cybercommerce, cette étude exploratoire contribuera à orienter les recherches quantitatives subséquentes dans ce domaine et à cerner certaines des conséquences du lien entre fiscalité et cybercommerce pour les responsables canadiens de l'élaboration des politiques et de la réglementation.

L'économie canadienne offre un contexte qui se prête bien à l'étude du lien entre cybercommerce et impôts sur les bénéfiques. En 2002, Statistique Canada estimait que les

ventes canadiennes interentreprises représentaient environ 73 % des ventes réalisées sur Internet, les ventes interentreprises totales effectuées sur Internet atteignant près de 10 milliards de dollars dans le secteur privé canadien, une hausse de 28 % par rapport à 2001. Bien qu'il ne s'agisse que d'une très modeste proportion de l'ensemble des ventes, le taux de croissance est rapide, les ventes interentreprises et les ventes grand public ayant triplé en valeur monétaire au Canada depuis 1999.

La majorité de ces ventes canadiennes sont réalisées sur les marchés étrangers, ce qui signifie que les entreprises peuvent aiguiller leurs bénéfices vers différents pays de manière à réduire leur fardeau fiscal. Cette latitude dont jouissent les entreprises laisse supposer qu'il leur est possible d'exploiter les ressources du cybercommerce pour réduire leurs paiements d'impôts nationaux en créant des établissements stables à l'extérieur du pays, là où les impôts sont moins élevés, plutôt que d'exporter des produits du Canada en réalisant des bénéfices assujettis aux taux d'imposition canadiens. Il s'agit là d'une question de politique fiscale importante puisque la prolifération du cybercommerce pourrait entraîner de sérieuses pertes de recettes pour les gouvernements canadiens. Outre que la croissance du cybercommerce diminue les impôts versés aux administrations fiscales canadiennes, elle peut avoir de sérieuses conséquences sur l'emploi et d'autres répercussions économiques si les sociétés nationales décident de relocaliser leurs activités dans d'autres pays pour s'y assurer une présence significative aux fins de l'établissement des prix de cession interne.

Bien que plusieurs chercheurs se soient penchés sur les questions liées aux taxes à la consommation (comme la TPS), tant dans le contexte canadien que sur la scène internationale, peu d'entre eux ont examiné leur incidence potentielle sur les impôts auxquels sont assujettis les bénéfices. L'intérêt accordé aux taxes à la consommation a également accru l'attention portée au cybercommerce grand public, même si la majorité des ventes électroniques sont des ventes interentreprises. Les auteurs ont donc choisi d'étudier le cybercommerce grand public et le cybercommerce interentreprises et leurs conséquences pour la planification fiscale.

Les auteurs procèdent à une série d'entrevues auprès d'un échantillon représentatif de sociétés canadiennes pour bien comprendre le contexte organisationnel entourant l'exploitation des ressources du cybercommerce, les technologies employées, les motivations sous-jacentes à cette exploitation et les efforts actuellement déployés pour utiliser la technologie du cybercommerce à des fins de planification fiscale. Dans leur méthodologie basée sur les entrevues, les auteurs essaient de parvenir à un équilibre entre l'information très précise au sujet des expériences d'une société donnée et la compréhension de la diversité des méthodes appliquées par les entreprises canadiennes.

Les auteurs recrutent leurs répondants parmi les sociétés qui exploitent déjà les ressources du cybercommerce ou prévoient le faire, et dont les paramètres varient sous deux aspects : leur taille et la nature des produits qu'elles vendent — produits de haute technologie ou produits traditionnels. Les travaux précédents donnent à penser que les expériences des sociétés de plus grande envergure en matière de cybercommerce peuvent être différentes, en raison de leur infrastructure et de leur expertise technologiques plus grandes ainsi que de leur accès à des conseils fiscaux professionnels. Ces sociétés sont

également moins susceptibles de subir les pressions de fournisseurs et de clients dominants qui les incitent à procéder à des investissements technologiques offrant peu d'avantages au-delà du maintien des relations avec leur partenaire commercial. Dans le même ordre d'idées, les auteurs recrutent leurs répondants selon la nature des produits, puisqu'il est logique de penser qu'il est plus facile pour les sociétés vendant des produits liés à la technologie de l'information que pour celles qui vendent des produits plus traditionnels d'utiliser la technologie en général et d'accéder à l'expertise technique.

Les résultats obtenus par les auteurs laissent croire que les sociétés canadiennes envisagent rarement les questions de planification fiscale lorsqu'elles prennent des décisions au sujet de l'exploitation des ressources du cybercommerce. Les répondants ont été motivés avant tout par des questions liées au service à la clientèle et à la demande, par la nécessité de réduire les cycles d'exécution des opérations de vente et par la réduction de leur coût des produits vendus. Les auteurs ne relèvent également aucun fait démontrant que les sociétés puissent remplacer les mécanismes de vente traditionnels par le cybercommerce. En général, le cybercommerce est considéré comme un complément plutôt qu'un substitut aux équipes et aux bureaux de vente existants ; il permet aux membres de l'équipe de vente de consacrer davantage de temps au développement des relations avec la clientèle et de gérer la croissance du chiffre d'affaires. L'emplacement des serveurs semble être principalement déterminé par le lieu du bureau principal du personnel de TI, bien que des serveurs fonctionnant en parallèle soient souvent établis dans les principaux marchés étrangers. La majorité des répondants ont envisagé le cybercommerce dans une perspective évolutionnaire, leur « présence » Internet revêtant au départ la forme de services de renseignements et de soutien à la clientèle, ainsi que de technologies d'arrière-guichet telles que les progiciels de gestion intégrés. Ils se sont ultérieurement dotés de la capacité de conclure des opérations de vente par Internet, une fois les systèmes d'arrière-guichet mis en place et les volumes de vente suffisamment importants pour justifier davantage d'investissement en TI. Plusieurs répondants mentionnent également que les pressions exercées par les clients sont en partie responsables de leur décision de se doter d'une capacité de cybercommerce.

Collectivement, les résultats des entrevues livrent plusieurs indications pertinentes à la politique fiscale. Les auteurs constatent que les sociétés se trouvent généralement aux stades initiaux de l'implantation progressive du cybercommerce. Les sociétés repoussent le développement des systèmes de cybercommerce jusqu'au moment où elles ont établi l'infrastructure sous-jacente, notamment des sites Web de base davantage orientés vers le marketing et des systèmes d'arrière-guichet comme les progiciels de gestion intégrés. Étant donné que les systèmes de cybercommerce sont indispensables à l'exploitation des ressources du cybercommerce aux fins de la planification fiscale, l'on peut penser que maintes sociétés ne sont pas encore en mesure d'utiliser le cybercommerce à ces fins, même si elles prévoient le faire. La méthode progressive adoptée par les sociétés qui optent pour le cybercommerce a toutes les chances de donner aux responsables de l'élaboration des politiques le temps de peaufiner la législation, de manière à ce qu'elle traite mieux l'aiguillage des bénéficiaires vers d'autres pays et les autres mesures de planification fiscale faisant intervenir le cybercommerce. Les constatations des auteurs donnent aussi à penser que même les grandes sociétés possédant à la fois le volume

d'affaires et l'infrastructure technologique nécessaires pour soutenir l'exploitation des ressources du cybercommerce à des fins de réduction des impôts se soucient actuellement beaucoup plus d'enjeux comme ceux de la gestion de la croissance, de l'amélioration du service à la clientèle et du contrôle des coûts des produits vendus.

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