**Digital technologies**, esp. data analytics and artificial intelligence, internet of things and cloud computing, lead to a fundamental disruption of the automotive industry

Focus on the following digital business model innovations being incremental (a) or revolutionary (b):

a) **Connected services**: Smart services through car-to-x-communication, e.g. real-time navigation
   ➔ **Connected car business model**

b) **Mobility services**: New forms of temporary and shared use of automobiles
   ➔ **Free-floating car sharing** and **ride-hailing business model**

**Example: Connected car business model**
- Digitalised traditional business model of car manufacturers (OEM)
- High relevance of intangibles, esp. data and software, and network effects
- Complex integrated cross-border value chain

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**Investigation of Current Law: Domestic Law of Germany and OECD Model Tax Convention ‘17**

- **Right of taxation**: Which countries have the right to tax profits within the development and the operation of the digital business model? The focus is on direct business and the creation of a permanent establishment (PE).
- **Profit allocation**: How are the profits distributed between the countries in the value chain in the case of intercompany transactions (entrepreneurial vs. routine entities)?
- **Evaluation**: Are the profits of the digital business model distributed to the parties according to their proportional value-added contribution?

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**Investigation of Future Law**

- Examined reform proposals:
  - **Fundamental reforms**: Formulary apportionment (CCCTB), taxation in the location of immobile factors
  - **Reforms of the PE concept**: OECD Pillar 1 unified approach, significant digital presence
  - **PE-independent reforms**: Digital service tax, withholding tax
- **Impact analysis** of the reform proposals on the taxation of the digital business models
- **Discussion**: Do the reform proposals realign taxation of the parties in the value chain with their proportional value-added contribution?