AMAZON AT HOME

By Vern Krishna QC

1. All income flows to its lowest effective tax rate, which is what makes the United States a more attractive tax jurisdiction.  
2. The international tax treaty system taxes income in the country where a corporation has its "permanent establishment," a concept based on a bricks-and-mortar economy. Canada has some 90 treaties that embody the concept.  
3. The U.S. requires Senate approval to amend treaties, which is unlikely in the present political climate and likely to become more difficult in November.  
4. Canada could unilaterally impose a 3-per-cent tax on internet services, but we should be prepared for tax litigation for at least 12 years, a norm for Supreme Court adjudication, which will make expensive lawyers and accountants even richer.  

Vern Krishna QC; professor, faculty of law, University of Ottawa