



METaverse SPECIAL ECONOMIC ZONE (MSEZ)

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1. Executive Summary: MSEZ - Bridging Global Digital Businesses

MSEZ - Bridging Global Digital Businesses

Traditional regulatory frameworks were designed to govern businesses with centralised organisational structures that operate within clear geographical boundaries. With the growth of the new decentralised and digital economy, these legacy regimes are inadequate for future-minded businesses, creating several regulatory frictions. For example, complex tax laws, convoluted corporate structuring and inadequate regulations for Web 3.0 prevent future-minded businesses from achieving their full potential in the decentralised digital economy.

Metaverse Special Economic Zone (MSEZ) is the solution that addresses the incongruence of legacy regulatory frameworks with the future of commerce. MSEZ is a multi-jurisdictional special economic zone uniquely tailored to borderless and digital economic activities. MSEZ empowers clients to operate seamlessly across borders by harnessing the power of the metaverse to connect leading innovators and entrepreneurs worldwide and by bringing market-leading tax concessions and regulatory frameworks from real-world SEZs into the metaverse.

The MSEZ infrastructure and incentives are targeted at future-minded businesses: decentralised autonomous organisations (DAOs), Web 3.0 businesses, digital nomads, and international businesses that recognise the need for a streamlined business experience both in the physical and virtual worlds. MSEZ clients will benefit from unrivalled tax concessions, best-in-class digital regulations, knowledge clusters, an interactive metaverse environment, guaranteed banking, access to multiple SEZs and real-world infrastructure.

Governments integrate their SEZs directly into the MSEZ platform, providing the regulatory grounding for MSEZ clients to incorporate and operate in the metaverse. As a jurisdiction in the MSEZ network, SEZs will be able to tax previously untaxable activities, eliminate regulatory distortion, and empower their domestic digital economy.

The MSEZ journey will begin with the creation of a digital SEZ platform, providing clients immediate access to an innovative international business licence. MSEZ will build a network of world-class SEZs linked together by the MSEZ metaverse environment, allowing future-minded businesses to establish corporate residency in a borderless metaverse environment where they can customise their experience based on the combination of market-leading regulatory frameworks best-suited to their needs.

2. Legacy Regulations are Impeding the Digital Economy

2.1 The problem with old regulations in a new digital economy

Legislative and regulatory structures were traditionally designed to govern centralised economic activity occurring within and across clear geographical boundaries and jurisdictions. With the growth of the digital economy and its associated decentralised, digital economic activities, these legacy regimes prove inadequate and worse yet create several regulatory frictions that impede the digital economy. For example:

- **Complex Tax Laws:** Taxation for borderless and digital economic activities becomes complicated when traditional approaches like the economic substance test cannot be easily applied. This leaves entities uncertain about their obligations to varying jurisdictions and exposed to inconsistent treatment across jurisdictions. Apart from the administrative burden, such ambiguity can negatively impact the bottom line in instances of double taxation.
- **Convoluting Corporate Structuring:** Corporate registration, residency, structuring, and reporting are cumbersome and not designed with transnational activity in mind. Although digitising operations are purported to save on operating costs, such gains can be significantly offset by added costs from navigating complex corporate structures that differ across jurisdictions.
- **Inadequate Regulations for Web 3.0:** Web 3.0 presents its own unique regulatory challenges surrounding privacy, governance and virtual transactions which traditional legal principles are unable to address. For example: (a) regulatory bodies have found it difficult to apply securities law to cryptocurrencies and tokens; (b) for non-fungible tokens (NFTs), the applicability of contract law versus property law is unclear; and, (c) without balanced regulation, the privacy of blockchains may increase the risk of criminal activity. Some jurisdictions have enacted Web 3.0 regulations but for the most part these regulations remain ambiguous. Consequently, Web 3.0 entity formation processes remain slow; licensing for digital businesses does not guarantee transnational activity; coverage of intellectual property protection for NFTs is inconsistent, and some requirements for Web 3.0 contract negotiation are not recognized by governments.

The inadequacies of these archaic regulatory frameworks slows the growth of global digital commerce, preventing participants from achieving their true potential which ultimately leads to foregone innovation, economic activity and tax revenue.

2.2. Who is impacted by this problem?

Web 3.0's multisectoral span makes this an economy-wide problem, impacting primarily:

- **Web 3.0 Businesses:** These businesses are centred around blockchain technology and its core tenet of decentralisation. A Decentralised Autonomous Organisation (DAOs) is the natural economic entity of Web 3.0 governed by smart contracts (i.e. computer code on the blockchain) and typically lacking a centralised owner. However, the ambiguity surrounding the legal form of DAOs leaves member-liability and taxation unclear. Beyond DAOs, businesses operating in Web 3.0 such as FinTech ventures continue to operate without regulatory clarity and contend with dissimilar treatment of digital assets across jurisdictions.
- **Digital Nomads:** By definition digital nomads are remote workers who frequently travel to different locations often facing uncertainties with regards to their tax residency and obligations. This increases the risk of unexpected tax penalties in tax frameworks that are semi-transparent at best.
- **Pre-Web 3.0 Businesses:** Businesses actively digitising their operations through online sales, remote work, and automation of internal processes. These businesses face increasingly complex and opaque regulatory treatment for their digital activities, limiting their ability to harness the efficiencies and competitive advantages of digital commerce. For example, Airbnb employees working remotely cannot leave their jurisdiction for more than 90 days due to regulatory limitations. Consider that senior executives must count their days outside of their company's operations, as their presence may trigger an "economic substance" in another jurisdiction, subjecting the company to corporate tax in that jurisdiction.
- **Governments:** Through inadequate regulatory regimes, governments are unknowingly discouraging innovation and economic activity, while foregoing new opportunities for fiscal revenue. For example:
 - The predominant income tax residency system used by countries globally means that digital nomads may work remotely from a foreign country for extended time periods without contributing to the tax base.
 - The lack of regulatory interoperability with other jurisdictions and attractive regulations for Web 3.0 and digital businesses means that as economic activity migrates to the digital space there will be few clear channels to

collect fiscal revenue.

- The impact of regulatory opacity on entrepreneurs in the digital economy can discourage new economic activity and in turn new taxation opportunities.
- Many governments will be outcompeted by first movers in modernising corporate and taxation legislation, losing out on potential investments.

2.3. How could this problem grow as the digital economy evolves?

Modern commerce is increasingly conducted in a decentralised, borderless and digital environment. By 2030, the digital service economy could exceed [USD 16 trillion](#), and the global Web 3.0 market in particular is expected to reach [USD 81.5 billion](#). Presently, no regulatory structures exist which provide actors in the digital economy with a frictionless, cross-border business experience that enables decentralisation. Without a solution these regulatory frictions will continue to grow as digital innovation accelerates and outpaces archaic approaches to incorporation, taxation, dispute resolution, and other regulatory matters.

However, if these challenges are addressed in the near future, an efficient and equitable digital economy, driven by entrepreneurship from businesses and regulatory innovation by governments is anticipated. This ideal economy could be reflected in:

- Widespread adoption of remote work by businesses in the knowledge economy.
- The graduation of business models from Web 2.0 to Web 3.0.
- A coordinated standard of regulations for the cross-border Web 3.0 economy.
- The adoption of smart contracts, zero-knowledge proof identity, and consensus algorithms across regulatory processes.
- A predictable and streamlined process for doing digital business across borders.
- A globally equitable tax regime allocating tax to governments based on use of government services.
- Incorporation structures tailored to the needs of distributed businesses like DAOs.

Evidently, a global regulatory solution is necessary to realise the massive potential for new innovation driven by decentralisation, global commercial synergies, and economic growth from this new paradigm. Such a solution must allow governments to keep pace with the increasingly borderless and distributed digital economy, without undermining the integrity of governance and fiscal institutions.

3. MSEZ - Empowering a Borderless Digital Economy

3.1. MSEZ: A Metaverse-Based, Cross-Border Special Economic Zone

Growing regulatory frictions from outdated and inconsistent regulatory frameworks limit the innovative and economic potential of the digital economy and in particular Web 3.0. These challenges highlight the need for a global regulatory solution that is compatible with the unique needs of the new decentralised digital economy. MSEZ is the solution to this persistent challenge.

MSEZ is a multi-jurisdictional special economic zone uniquely tailored to borderless and digital economic activities, providing an unrivalled platform for the future of business. In simple terms, MSEZ empowers clients to operate seamlessly across borders by harnessing the power of the metaverse, particularly the virtual and augmented space in these worlds, to connect leading innovators and entrepreneurs worldwide and by bringing market-leading tax concessions and regulatory frameworks from real-world SEZs into the metaverse.

MSEZ's overarching goal is to create a unified regulatory commercial space for the decentralised digital economy. By encouraging market-leading SEZs around the world to integrate into the MSEZ platform, MSEZ will create a first-of-its-kind network of jurisdictions linked together by MSEZ's metaverse environment. MSEZ therefore represents an important first step towards unlocking the metaverse's potential.

MSEZ's groundbreaking regulatory experience will be bolstered by real-world SEZ incentives like tax concessions and exemptions from certain duties and requirements. MSEZ aspires to create an environment underpinned by the principle of international corporate personhood (ICP), meaning MSEZ users would eventually be treated equally by all jurisdictions they do business in. Businesses will use MSEZ to incorporate, trade, resolve tax, and settle disputes on an equal footing from anywhere in the world.

In short, MSEZ aims to accelerate the transition to a deterritorialised digital economy, driven by web-native businesses, decentralised organisations, digital nomads, and more. MSEZ's ultimate vision is to create a new standard of international digital investment and business relations: one not limited by geographic borders and legacy regulations, but best practices and transparency in service.

3.2. Who is MSEZ for?

The MSEZ infrastructure and incentives are targeted at future-minded businesses who recognise the need for a streamlined business experience both in the physical and virtual worlds. These include:

- **Decentralised Autonomous Organisations (DAOs) / Web 3.0 Businesses:** who are at the forefront of Web 3.0 innovation and interested in leveraging MSEZ's best-in-class virtual asset licensing and incorporation models to maximise innovative potential.
- **Digital Nomads:** who are interested in establishing a sole proprietorship through MSEZ to do business freely across borders without tax or regulatory worries.
- **International Businesses:** in need of tax-neutral environments to coordinate operations and interested in establishing an offshore holding company in MSEZ to enable new growth opportunities.

3.3. What does MSEZ offer to clients?

MSEZ exists to provide digital businesses and digital nomads with the tools to thrive in a borderless digital economy, particularly:

- **Interactive Metaverse Space:** MSEZ clients will have access to virtual flexidesks, meeting spaces and other office infrastructure. This virtual environment will be accessible by MSEZ clients from anywhere in the world, allowing them to connect with leading innovators and entrepreneurs worldwide, participate in knowledge clusters and establish new business relationships through forums, events, common spaces and meeting rooms.
- **Cross-Border Licensing:** MSEZ clients will be able to establish their business anywhere with one or several of MSEZ's network of real-world SEZs through MSEZ's internationally-recognised digital licence. MSEZ aims to use a simple, accessible core set of rules and regulations as the basis of an international business licence, giving clients clarity and confidence in compliantly doing business internationally.
- **Tax Concessions & Tax Fairness:** MSEZ clients will benefit from SEZ incentives like tax concessions and exemptions from certain duties and requirements. MSEZ aims

to collect a flat, recurring fee from clients based on the size of their exchange volume. Clients would then receive a “MSEZ Green Sheet” confirming that they have fully satisfied their tax responsibility to the jurisdictions where they do business.

- **Best-In-Class Digital Regulations:** MSEZ member jurisdictions will be the leaders in Web 3.0 and digital regulation. MSEZ clients will be able to leverage any of these enabling regulations while conducting international business. These regulations will balance prudence with expediency.
- **Guaranteed Banking:** MSEZ clients will be able to unlock access to world-class digital banking products and services in the destination jurisdiction. MSEZ’s digital banking service offering is uniquely designed to meet the financial needs of MSEZ clients.
- **Real World Infrastructure:** MSEZ clients will have the opportunity to establish a real world presence with all the same regulatory and banking benefits.

3.4. What does MSEZ offer to governments?

MSEZ brings real-world SEZ regulatory frameworks and concessions into the metaverse to create a space for borderless commerce. Consequently, governments become directly involved in the platform through their SEZs which form the core of the MSEZ concept, giving businesses the flexibility to operate across borders. MSEZ offers governments a unique opportunity to harness the power of the digital economy and champion regulatory innovation in a controlled environment. They can expect the following from MSEZ:

- **Collect Presently Untaxed Revenue:** Through MSEZ, governments can create new fiscal revenue streams from cross-border digital activity which is not presently taxed. MSEZ member governments receive incorporation, licensing and service fees, as well as the possibility of new fiscal revenue that would otherwise remain uncollected, since these new companies may have never entered these jurisdictions and taxing digital economic activities would have been impossible. MSEZ aims to redefine fiscal revenue streams from digital economic activity to align with the economy of the future, ensuring that no jurisdiction is starved of tax revenue, and no business is stifled through excessive or complex taxation.

- **Eliminate Regulatory Distortion:** Through MSEZ, governments will have the opportunity to upgrade and harmonise their regulatory frameworks, leveraging best-practises to remain competitive and attract new businesses. Regulatory opacity and inefficiency would otherwise distort the market dynamics of the digital economy and governments may forgo investments that would have otherwise occurred had they adopted efficient regulations aligned with the needs of the new decentralised digital economy.
- **Empower A Digital Economy:** Through MSEZ, governments can catalyse new innovation and investment in their jurisdictions. MSEZ membership provides governments a clear advantage in developing their digital economy by attracting innovators, researchers, businesses and service providers capable of knowledge spillovers that translate to increased economic activity and higher employment.

3.5. What will the development of MSEZ look like?

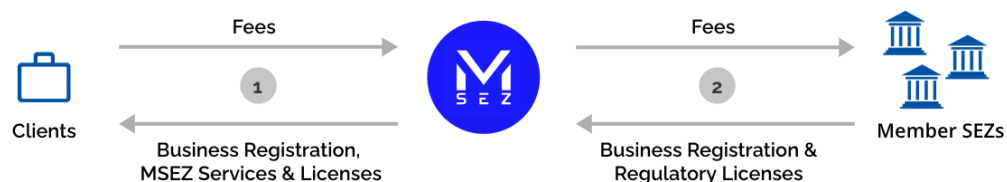
Building a solution for a borderless digital economy is an ambitious and necessary undertaking which must be performed in stages. The first step in the MSEZ journey is to give Web 3.0 businesses worldwide the means to thrive, enabled by a network of SEZ partners.

During the pilot stage clients can register in SEZs through a Web 2.0 interface (see Figure 1). MSEZ's network of SEZs will already offer some of the world's leading-edge digital asset regulatory structures and economic incentives..

MSEZ will introduce its novel metaverse environment in Q2 2023, allowing clients to operate across multiple SEZs through an interactive metaverse/Web 3.0 space. This will allow future-minded Web 3.0 businesses to establish corporate residency in a borderless metaverse environment where they can customise their experience based on the combination of Web 3.0 regulatory frameworks best suited to their needs.

Figure 1: MSEZ Basic Overview

- 1 Clients pay fees, and receive a MSEZ-registered business and access to MSEZ Services (e.g. MSEZ Flexi-Desk).
- 2 Member SEZs register MSEZ Clients in their SEZ, and provide relevant regulatory licences (e.g. digital asset).



4. Conclusion: Look to the Future of Business with MSEZ

Legacy regulatory regimes create numerous frictions which prevent future-minded businesses from reaching their full potential. Traditional approaches to taxation and corporate structuring are not compatible with decentralised, digital economic activities. A global regulatory solution is therefore necessary to realise the massive potential for new innovation and economic growth driven by decentralisation and global commercial synergies.

MSEZ is a multi-jurisdictional SEZ uniquely tailored to borderless and digital economic activities. It harnesses the power of the metaverse to empower clients to operate virtually across borders, and is bolstered by market-leading tax concessions and regulatory frameworks from real-world SEZs.

MSEZ is targeted at future-minded businesses (Web 3.0 businesses, DOAs, digital nomads, etc.), offering access to an interactive metaverse environment, unrivalled tax concessions, best-in-class digital regulations, and more. By integrating into the MSEZ network, governments will be able to tax previously untaxable activities, eliminate regulatory distortion, and empower their domestic digital economy.

Are you ready to look to the future of business with the world's first metaverse-based special economic zone?

Register [here](#) today to become an MSEZ client or MSEZ jurisdiction. Explore msez.com or contact info@msez.com for more information about the future of commerce.

MSEZ Leadership

MSEZ is building the first metaverse-based Special Economic Zone centred around digital commerce and Web 3.0 innovation.

MSEZ will unlock the full potential of the virtual metaverse economy by offering access to best-in-class concessions, regulatory frameworks, and supporting infrastructure.



Alexia Hefti
Interim CEO



Jason Blick
Chief Advisor



Hannes Heyns
Director



John Macdougall
Director