The Role of National Governments in Global Tax Governance: How to achieve fairness and equality?

Irma Johanna Mosquera Valderrama Associate Professor of Tax Law

i.j.mosquera.valderrama@law.leidenuniv.nl

Universiteit Leiden

Table of Contents

1. International Taxation Standards OECD and G20
2. International Taxation Standards European Union
3. Fairness and equality
4. Role of national governments
5. Conclusions and Recommendations

1. International Taxation Standards: OECD and G20

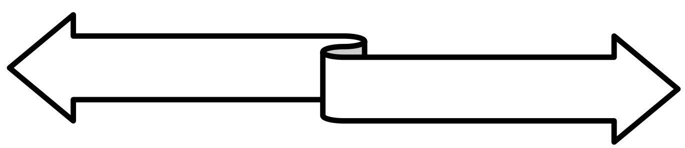
4 Minimum standards

10 Best practices

1 Multilateral Convention

INCLUSIVE FRAMEWORK

SIGNATORIES



113 COUNTRIES

BASE EROSION PROFIT SHIFTING (BEPS) Decision making: BEPS 44 GROUP

78 COUNTRIES

2. International Taxation Standards: European Union

Anti-Tax Avoidance Directive

State Aid Investigations

Fair Tax Competition

3. Fairness and Equality: International Organizations

OECD, World Bank, IMF

In the Base Erosion and Profit Shifting (BEPS) Project

- For developed and developing countries: Multinationals should pay their fair of taxes

- For developing countries: Raise revenue to deliver public services:

  - By making the tax administration more efficient and fair

  - By tackling corruption and aggressive tax planning.

3. Fairness and Equality: European Union

2015: Action Plan for a Fair and Efficient Corporate Taxation in the EU

a) 5 Key Areas for Action:

Common (Consolidated) Corporate Tax base, ensuring fair taxation where profits are generated, creating a better business environment, increasing transparency, and improving EU coordination

b) Fair and efficient taxation of corporate profits, in order to distribute the tax burden equally

3. Fairness and Equality: European Union

2016 Anti-Tax Avoidance Package

a) For EU countries: To develop a deeper and fairer Internal Market, which is fundamental to delivering a thriving economy that benefits all

b) For non-EU (third) countries: Standard of good governance and fair tax competition

Third countries should be encouraged to adhere to "the internationally agreed good governance standards, ensure a level playing-field for EU business and reduce the opportunities for outbound profit shifting" (2016 EU Communication on an External Strategy)

c) Requirement of a good governance and fair competition standard in the bilateral and regional agreements concluded by EU countries and by the EU with third countries including developing countries.

4. Role of national governments

OECD and G20 countries

- In 2015, the United Kingdom and Australia decided to include a new tax i.e. Diverted Profit Tax to ensure that multinationals are paying “their fair share of tax’.
- In 2016, India introduced the Equalization Levy to impose tax on specific digital transactions. This levy aims to allocate a ‘fair share’ on the tax of the income obtained in digital transactions.
- In 2017, the US introduced a tax reform which may trigger worldwide tax competition. Some concerns of fairness and equality.

4. Role of national governments

Developing (non-OECD, non-G20) countries concerns

- How to reduce inequality?
- How to enhance competitiveness for businesses?
- How to enhance healthy tax competition for countries, and how to prevent race to the bottom?
- How to find the balance between tax base erosion and incentives to attract foreign direct investment?
- Impact of negotiated international tax agreements and of commitment to international tax standards (since there are also other needs e.g. informal economy, allocation taxing right source vs. residence)
- How to enhance policy coherence in domestic resource mobilization?
- Is a multi-stakeholder approach part of the solution?

5. Conclusions and Recommendations

In terms of fairness and equality

- How the International and European standards will benefit developing countries?

- How the unilateral initiatives will benefit developing countries?

- What is the role of national (developed) countries?
  - What can Canada do to contribute to address the concerns of developing countries?
  - What can Canada do to contribute to enhance fairness and equality?

Thank you for your attention

Universiteit Leiden