

Tax competition and developing countries

Irma Johanna Mosquera Valderrama

Associate Professor of Tax Law– Principal investigator *EU-ERC GLOBTAXGOV*



Universiteit
Leiden
The Netherlands



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Topics

**G-20 and T20
process**

**Tax competition and
BEPS**

**Global Tax
Governance and G20**



1. G20 and T20 Process

Who provides input to the G20 in taxation?

a) T20

- Each G20 Presidency set up a T20 (think tank network). Also other networks are available C20 and B20. Mostly of G20 countries
- Draft of T20 policy briefs with recommendations to the G20 Presidency

b) OECD reports

Tax policy for inclusive growth; Progress Report Tax Certainty (with IMF); Progress Report Inclusive Framework, General Report; Interim Report (tax challenges arising from digitalization)

<http://www.oecd.org/g20/topics/international-taxation/>

G20 Presidency decides the topics and also the input to be provided to the G20.

Legitimacy? Transparency? Inclusiveness?

2. Tax competition and BEPS

T20 Policy brief: The different choices made by countries in implementation of BEPS Minimum Standards and the tensions between developed and developing countries

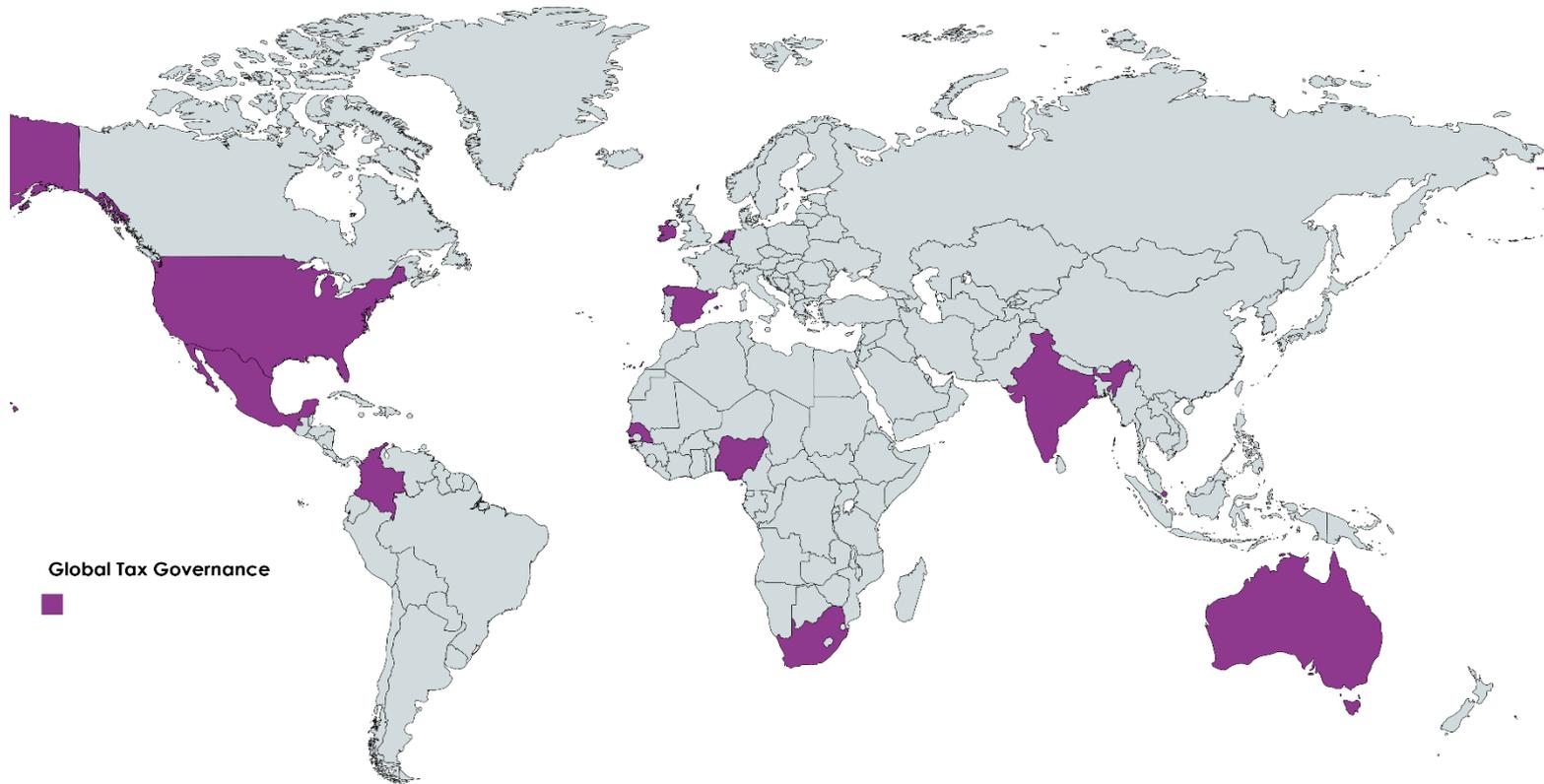
- Some countries also other BEPS Actions e.g. 2 (Hybrid mismatches); 3 (CFC), 4 (interest deductions); 12 (mandatory disclosure). Examples EU ATAD and DAC Directive; Latin America Action 3 and 12.
- EU standard of good governance in tax matters
 - As of April 2018 fair tax competition includes the implementation of BEPS 4 Minimum Standards in the agreements concluded by the EU and EU Member States with third (non-EU) countries. Problems (e.g. Philippines in ASEAN agreement)

2. Tax competition and BEPS

In addition to the need for technical assistance and limited resources (personnel and financial support) also other concerns:

- **Caribbean and Latin America:** Expressed their concerns of the consequences derived from not being able to partially or fully implement the BEPS four minimum standards, given their priorities and the features of the tax system of specific countries.
- **Africa:** Highlighted the importance of establishing the benefits and costs that the implementation of the various Actions of the OECD/G20 BEPS initiative would have on their domestic revenue and the need for these countries to maintain some of their preferential tax regimes to attract investment
- **Asia-Pacific region** welcomed a regional approach to encourage further collaboration in the region.
- **Central and Eastern Europe** highlighted the need to address other non-base erosion and profit shifting issues, such as the taxation of the informal (shadow) economy.

Global Tax Governance: GLOBTAXGOV



Global Tax Governance and G20

- The different approaches to the implementation of BEPS Actions lead to peculiar and undesired forms of tax competition. We observe that countries implementing BEPS are sometimes in disadvantage with respect to countries that are not implementing BEPS.
- Balancing competition and BEPS implementation is needed to achieve a global model of tax governance in which developed and developing countries compete on a level playing field.

Global Tax Governance and G20

- We ask the G20 leaders to promote regional cooperation in the implementation of international standards, including BEPS. The G20 should actively promote regional learning processes.

The G20 should facilitate the creation of regional (or, for that matter, sub-regional) peer review and consultancy mechanisms that would allow countries to set and revise their own goals and targets for implementation, getting regular feedback from neighbouring countries.

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