

Conference organized by:
Institute for Austrian and International Tax Law Vienna
WU Global Tax Policy Center
together with the
Research Council of Norway

TRENDS AND PLAYERS IN TAX POLICY

RUST CONFERENCE 2013

GUIDELINES FOR THE ISSUES TO BE COVERED IN THE 20-PAGE CONTRIBUTION



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I. TRENDS IN TAX POLICY AS FROM 2000

Describe any major changes in the design of the tax system under each of the following headings (even if just planned or intensively discussed):

I.1 Personal income taxes

E.g. move to flat taxes, dual income taxes, integration of personal income tax and social security contributions, use of earned income credits, moves to broaden the tax base, change in the treatment of retirement income, significant changes in the rate structure, moving from a comprehensive income taxation towards a system of a more generalized scheduler taxation, shifting from imputation to classical system or *vice versa*, taxation of capital gains, the reduction or proliferation of personal tax expenditures, changes in the tax unit (individual, family, spousal, children at the highest parent's rate or highest marginal rate, etc.).

I.2 Corporate income taxes

E.g. base-broadening measures, integration of personal income tax and corporate income tax, shift to allowance for corporate equity or cash-flow taxes, changes in rate or structure; reduction or proliferation of corporate tax expenditures; adaptation to international accounting standards; taxation of foreign income; possibility of alternative (simplified) tax base.

I.3 Other business taxes

E.g. IETU, Gewerbesteuer, taxe professionnelle, IRAP.

I.4 Value added tax

E.g. introduction of VAT / GST (and what it replaced), base-broadening measures or base-shrinking, structural rate changes, change in basic design features (e.g. move away from credit invoice method); Have there been any major changes in the way that VAT is shared between federal and state governments?

I.5 Excises

Briefly describe any major developments in excises particularly as they apply to alcohol, tobacco and fuel. Most countries have seen significant increases in these excise taxes. Has this led to more cross-border smuggling? And if so, what measures have been taken to control it?

I.6 Recurrent taxes on capital

E.g. net wealth taxes, taxes on ownership or use of property (including traditional property taxes on land and buildings), bank levies.

I.7 Non-recurrent taxes on capital

E.g. one-off windfall profit taxes, transfer taxes, gift and inheritance taxes.

I.8 Compulsory social security contributions paid to government

E.g. changes in earmarking, removal of ceilings, move to align personal income tax and income-related benefits or compulsory contributions to private savings plans enforced through a tax; alternatives to social contributions on payroll.

I.9 Environmental taxes

E.g. environmental taxes and fees can take many forms (taxes on waste products, fossil fuels, CO2 taxes, etc.). Describe any recent innovations in this area with practical examples.

I.10 Other taxes

Have there been major changes in other taxes, e.g. natural resources taxes?

II. MAIN DRIVERS OF TAX REFORMS SINCE 2000¹

¹ Tax reform can take many forms: a major structural change in the tax system or in individual taxes, the introduction of a major revenue source, among other ones. For the purpose of this exercise, all of these would be considered as reforms, as opposed to minor changes to rates or individual allowances.

- II.1 What have been the main drivers of tax reform since 2000? (e.g. the changing economic, political and social environment within which tax systems have to operate, the need for extra revenue, the need to improve tax competitiveness, the need to reduce inequalities in income and wealth, the need to simplify the system) Have the trade-offs between these objectives changed?**
- II.2 Have there been any major tax reform commissions (e.g. Mirrlees report, Henry report)? If so, what influence did they have?**
- II.3 What influence did independent research institutes (e.g. IFS in UK) and universities have on reforms?**
- II.4 Does your country publish a tax expenditures budget? What is the benchmark used to measure tax expenditure (i.e. what is considered the “normal structure”)? What is the size of the tax expenditures compared to tax revenues? Have these figures been used to drive tax reform?**
- II.5 Is there data available to assess the impact of the tax reforms?**

III. DRAFTING AND REVIEWING TAX LEGISLATION AND REGULATIONS

III.1 By whom are tax law provisions drafted (e.g. by experts in the government / Ministry of Finance, by members of parliament or their expert staff, by outside experts, by academics, by experts of those interest groups which are proposing the change in the law)?

III.2 Do outside stakeholders have an opportunity to comment on draft legislation? Are for example white and green papers issued on draft legislation? Is there a consultative forum with business?

III.3 How does the drafting procedure of secondary instruments (e.g. regulations) of tax policy differ from that of legislative changes?

III.4 What is the influence of secondary law in the design of tax policy?

III.5 Is there a process for verifying that the proposals are consistent with constitutional law, European law (if applicable), WTO agreements or other international agreements? If so, please describe.

IV. BUILDING UP TAX EXPERTISE

IV.1. What formal training is available for those who want to work in the tax profession (e.g. at university, professional associations, other)?

IV.2. What are the professional qualifications normally available to people who work in the tax field?

IV.3. What the mechanisms available are for the verification of the qualifications of professionals working in the tax area? What are the standards needed by public administration? Are these standards in constant review?

IV.4. Is drafting of tax law “taught” at university level? Where do the persons that are responsible for drafting tax law get their training?

IV.5. What could universities do to improve the situation? What kind of additional training is required?

V. THE CHANGING RELATIONSHIP BETWEEN TAX ADMINISTRATIONS AND TAXPAYERS

- V.1 Are taxpayers' rights enacted in your country? At which level (constitutional rights, ordinary legislation, taxpayers' charter, statement by the tax office)? Are they applied in practice?**
- V.2 Is there any connection between taxpayers' rights and human rights in your country? Are human rights recognized in your legal system applicable to tax procedures?**
- V.3 Which legal sanctions are provided for in the law (e.g. monetary sanctions, rejection of professional licenses, imprisonment)? Can more than one sanction apply?**
- V.4 When a decision is made by the tax administration, what avenues of appeal are open to the taxpayer? Are these to specialized tax courts or general courts? In the case of specialized courts, do they depend on the judicial or the executive branch (Administrative Courts)? If applicable, are the Administrative Courts' decisions reviewed by Judicial Courts?**
- V.5 What is the normal procedure for the reimbursement of the taxpayer's expenses in court proceedings?**

- V.6 How would you characterize the overall relationship between tax administration, taxpayers and their advisors (e.g. constructive, open, transparent, closed or no real dialogue) ? Have tax authorities launched or planned any programs to improve this relationship, moving towards what the OECD has called “enhanced relationship”? Where such program already exist (e.g. the horizontal monitoring in the Netherlands), what are the perceived benefits from the taxpayer’s perspective? Please give examples.**
- V.7 Does the tax administration take measures to provide greater certainty to taxpayers? What are they (e.g. use of circulars to inform the taxpayers of its enforcement policy, putting in place schemes to enable a prefilling resolution of issues, providing advance rulings, judgments and APAs, having robust dispute resolution mechanisms such as arbitration, etc.) ? How effective are these measures in providing greater certainty to the taxpayer?**
- V.8 What are the major measures to protect the corporate tax base (e.g. GAAR, CFC, thin cap rules, limitation on deductibility of interest, etc.)? Are the measures used successful? Is there any attempt made to evaluate the extra compliance cost of such measures on business?**
- V.9 Is government able to pass retroactive tax legislation? If so, under what circumstances is it able to do this? What is the attitude of the courts to such legislation? How does such legislation influence taxpayers’ behavior?**

V.10 What is the social prestige of tax officials? Is corruption an issue? How are tax officials paid compared to other civil servants or private sector employees? Is their remuneration linked to some measure of their performance (e.g. number of assessments made, tax assessed or actually collected, number of appeals lost)? If so, please describe briefly.

V.11 Are there official measures of the success of tax administrations? If so, please describe.

VI. MAJOR PLAYERS IN TAX POLICY

VI.1 What is the formal procedure for changes of tax law? Are tax law changes proposed by the government or by (members of) parliament or by both? Are government proposals changed by parliament or just approved? Please give examples.

VI.2 What is the relative influence on tax policy formulation of political parties, lobbying groups, public officials in the Ministry of Finance and in other ministries?

VI.3 Taxes are increasingly used for social engineering, e.g. to reduce consumption of alcohol and tobacco. In these areas what influence is exerted by the health and other ministries? Does the Ministry of Finance have a veto power over tax proposals coming from other ministries? Or are there other arrangements in place to ensure that tax policy remains the domain of the Ministry of Finance?"

VI.4 What is the role of academia, media, trade unions, associations of employers or other interest groups? In which way do they influence tax policy decisions? Please give examples.

VI.5 Have there been cases where your country has been forced to adopt measures which are seen as not being in its long-term interests or which conflict with its culture / habits (e.g. removing bank secrecy)?

VI.6 What role do international and regional organizations play in influencing your country's tax policy? Please provide example of areas where these organizations have had an impact.

VI.7 How does your government try to influence the debates and outcomes of the discussions in these organizations?

VI.8 Are there specialized bodies (e.g. OMB in the US), established by government to provide objective data on public finances and the impact of any tax reform? If so, please describe briefly.

VII. TAX POLICY IN THE GLOBAL ECONOMY

VII.1 How important are competitive considerations in influencing your country's tax policy? To what extent are changes in the tax policies of competitor countries taken into account?

VII.2 In the light of the EU and OECD rules on harmful tax competition, has your country moved to what may be called "smart tax competition"² (e.g. provisions which comply with the letter but not the spirit of the law)? Please give examples.

VII.3 Do your country's tax arrangements tend to favor outward investment over inward investment or the reverse and has the balance changed since 2000?

VII.4 How important are tax treaties in attracting inward investment?

VII.5 Are tax incentives and tax sparing arrangements important in attracting inward investment? How transparent are these incentives? Is there a regular reporting on their costs and effectiveness? Please provide examples.

VII.6 Does your country have measures to reduce cross-border aggressive tax planning? Please give examples.

² PISTONE, Pasquale. "Smart Tax Competition and the Geographical Boundaries of Taxing Jurisdictions: Countering Selective Advantages Amidst Disparities". *Intertax*. Volume 40. 2012. Issue. 2. pp. 85-91.

VII.7 Recently the G20 expressed concerns about profit shifting and base erosion (e.g. the misuse of transfer pricing to shift profits to low tax jurisdictions). To what extent is this topic a concern in your country? What action has been proposed to counter it?

VII.8 What do you consider to be the top three tax-related barriers to inward investment?

VII.9 When reforms are introduced, do tax authorities normally allow an adequate transition time for business to adapt?

VIII. GOOD GOVERNANCE

VIII.1 As a result of the G20 tax transparency initiative, tax administrations now have unparalleled access to information. Please comment on:

- a.** What are the main barriers to the effective use of this information and how should tax administrations overcome them, not just in the area of bank information but also access to information that can be used to verify that MNEs are not mispricing their internal transactions?
- b.** What are the main risks posed by this better transparency (e.g. on protecting the confidentiality of the information exchanged)?
- c.** How far will this new environment enable a more effective cooperation between tax administrations and other law enforcement agencies (e.g. financial intelligence units) to counter all forms of illicit activity? What impact will the recent decision of the FATF to make tax crimes a predicated offence have on this cooperation? What legal and practical barriers are there to better cooperation between tax and other law enforcement agencies?

VIII.2 What do you see as the next steps in this improved international cooperation?

- a.** The move from bilateral to multilateral treaties;
- b.** Supplementing exchange on request with automatic exchange of information (please indicate what you would see as the main barriers to such a move); and
- c.** Moving from just cooperation to tax coordination (please give examples e.g. joint audits, regional agreements).

VIII.3 What other actions can be taken to strengthen ties between countries:

- a.** Greater attention to the selection of treaty partners and countries with which your government wants to have a more intense dialogue (e.g. how are treaty partners selected?) Are the BRICS of particular interest in this respect?
- b.** What role can regional organizations such as CIAT, IOTA, etc. play in improved cooperation?

VIII.4 Strengthening the linkage between good tax compliance and good corporate governance:

- a.** Is good tax compliance seen as part of a company's good corporate governance agenda?
- b.** Do corporate boards and audit committees regularly discuss the broad tax strategy and its financial and reputation risk?
- c.** Have large MNEs begun to comply with BOTH the spirit and the letter of the law? Please give examples.

SOME PRACTICAL GUIDELINES

Paper length: 20 pages

Format: preferably “Word”

Bibliographic reference and quoting: please follow the attached guidelines.

Deadline for delivery of the report: 30 April 2013.

Please let us also have a short CV (3-5 lines) for the “List of Contributors” in the book, and a list of abbreviations, in due time. Please make sure that graphics and charts for the final version are black-and-white or grayscale only (no color graphics allowed for the book!) and please also email them as separate files in jpg or tif format. Resolution should be at least 300 DPI to ensure good quality for printing.

The national reports will be placed for download on a password-protected conference website, so that the conference participants can be well prepared for the discussion.

On the basis of the national reports, we will identify the most relevant topics and select speakers who will present selected issues in a three-minute input statement as an encouragement of the public debate.

After the conference there will be a short period of time given for including the findings of the conference in the paper.

If you have questions or doubts, please do not hesitate to contact us. We will happy to help you. We wish you a very fruitful writing process!

Sincerely

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